

# Riyad Bank

(A Saudi Joint Stock Company)

Consolidated Financial Statements  
For the year ended 31 December 2024  
And the Independent Auditors' Report



بنك الرياض  
Riyad Bank

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## Independent Auditors' Report

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Riyad Bank (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 ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matter

The consolidated financial statements for the year ended 31 December 2023 were audited by other joint auditors who expressed an unmodified opinion on those statements on 20 February 2024 (corresponding to 10 Sha'ban 1445H).

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditors' Report

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

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

#### Key Audit Matters (continued)

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
<b>Expected Credit Loss allowance against loans and advances</b>	<p>As at 31 December 2024, the Group's gross loans and advances amounted to SAR 325.39 billion (2023: SAR 279.32 billion), against which an Expected Credit Loss ("ECL") allowance of SAR 5.30 billion (2023: SAR 4.92 billion) was recognised.</p> <p>In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), except for loans and advances which have undergone a significant increase in credit risk ("SICR") since origination, or those which are in default or those that are classified as purchased / originated credit impaired assets, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances ('Lifetime ECL').</p> <p>We considered the determination of the ECL allowance as a key audit matter, as this determination requires management to apply significant judgements and make significant estimates. In addition, the carrying amount of loans and advances is quantitatively significant to the consolidated financial statements. The key areas of judgement and estimates include:</p> <ol style="list-style-type: none"> <li>1. Categorisation of loans and advances into Stages 1, 2 and 3, as defined in note 8 to the consolidated financial statements, based on the identification of: <ul style="list-style-type: none"> <li>(a) amounts with a significant increase in credit risk ("SICR") since the date that credit was initially granted; and</li> <li>(b) individually impaired and/or overdue amounts.</li> </ul> </li> </ol> <p>Additional judgements are applied by the Group when identifying and assessing exposures meeting SICR criteria.</p>	<ul style="list-style-type: none"> <li>• We obtained an understanding of the process adopted by management to determine the ECL allowance relating to loans and advances including the Group's internal rating model, accounting policy and model methodology and the key controls in this process.</li> <li>• We assessed, the key controls over the following areas to determine if they had been appropriately designed and implemented and were operating effectively: <ul style="list-style-type: none"> <li>○ the ECL model, including governance over the model, its validation during the year, and any model updates performed during the year, including the approval of the Credit Risk Management Committee of key inputs, assumptions and management overlays, where applicable;</li> <li>○ the classification of loans and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures, and;</li> <li>○ the IT systems and applications underpinning the ECL model, where applicable.</li> </ul> </li> <li>• We compared the Group's accounting policy and methodology for determining the ECL allowance against with the requirements of IFRSs.</li> <li>• For a sample of loan and advances, we assessed: <ul style="list-style-type: none"> <li>○ the staging used to determine the ECL allowance;</li> <li>○ inputs and judgements used to determine the ECL allowance, for example PD and LGD percentages; and</li> <li>○ the recoverable cash flows, including the impact of collateral, and other sources of repayment.</li> </ul> </li> </ul>

**Independent Auditors' Report**
**To the Shareholders of Riyad Bank (A Saudi Joint Stock Company) (continued)**
**Report on the Audit of the Consolidated Financial Statements (continued)**
**Key Audit Matters (continued)**

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
	<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 financial condition of counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.</p> <p>3. The need to apply management overlays to reflect all relevant risk factors, that might not have been captured by the ECL models.</p> <p><i>Refer to the summary of material accounting policy note 3 (e) for the impairment of financial assets; note 2 (e) (ii) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; note 34.3 (a) (ii) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none"> <li>• We assessed the Group's criteria for the determination of SICR and identification of "default" and "individually impaired" exposures, and their classification into stages. Furthermore, for a sample of loans and advances, we assessed the appropriateness of the staging classification of the Group's loans and advances portfolio based on the Group's staging classification policy, knowledge of corresponding customers and analysis of related financial information.</li> <li>• We assessed the underlying estimates used by the Group in the ECL model.</li> <li>• We assessed the governance process implemented and the qualitative factors applied by management when making management overlays to the output of the model used to determine the ECL allowance.</li> <li>• We tested the inputs used to determine the ECL allowance by agreeing them to supporting documentation.</li> <li>• The above procedures were performed with the assistance of our internal specialists, where applicable.</li> <li>• We assessed disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs that are endorsed in the Kingdom of Saudi Arabia.</li> </ul>

**Independent Auditors' Report**
**To the Shareholders of Riyad Bank (A Saudi Joint Stock Company) (continued)**
**Report on the Audit of the Consolidated Financial Statements (continued)**
**Key Audit Matters (continued)**

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
<b>Valuation of derivative financial instruments</b>	<p>As at 31 December 2024, the positive and negative fair value of derivatives held by the Group amounted to SAR 5.57 billion (2023: SAR 3.67 billion) and SAR 5.17 billion (2023: SAR 3.43 billion), respectively.</p> <p>The Group has entered into various derivative transactions, including special commission rate and commodity swaps ("swaps"), forward foreign exchange contracts ("forwards"), currency options ("options"), and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives. The valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations.</p> <p>The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging the cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well.</p> <p>These financial assets and financial liabilities are measured at fair value with changes in fair value being presented in consolidated statement of income and statement of other comprehensive income.</p> <p>We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, complex modeling techniques.</p> <p><i>Refer to the basis of preparation note 2 (e) (iii) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of material accounting policy note 3 (I) for the accounting policy relating to derivative financial instruments and hedge accounting; and note 6 which discloses the derivative positions as at the reporting date.</i></p>	<ul style="list-style-type: none"> <li>• We obtained an understanding of the process adopted by management to determine the fair value of derivative financial instruments, including the key controls in this process.</li> <li>• We assessed the key controls in this process over to determine if they were appropriately designed and implemented and were operating effectively. This included the controls over the IT system and maintenance of the data used as inputs to determine the fair value.</li> <li>• We selected a sample of derivatives and: <ul style="list-style-type: none"> <li>○ Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations;</li> <li>○ Assessed the key inputs in the derivative valuation models;</li> <li>○ Involved our experts to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and</li> <li>○ Assessed the hedge effectiveness performed by the Group and evaluated the related hedge accounting.</li> </ul> </li> <li>• We assessed disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs that are endorsed in the Kingdom of Saudi Arabia.</li> </ul>

### **Independent Auditors' Report**

#### **To the Shareholders of Riyad Bank (A Saudi Joint Stock Company) (continued)**

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

##### **Other Information included in the Group's 2024 Annual Report**

Other information consists of the information included in the Group's 2024 annual report ("the 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 Group's 2024 annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2024 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

##### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 and, the applicable provisions of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

##### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Independent Auditors' Report**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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; and
- 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 purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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### Independent Auditors' Report

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

##### Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

##### Ernst & Young Professional Services

Rashid S. Rashod  
Certified Public Accountant  
License No. 366



12 Sha'ban 1446H  
(11 February 2025)

##### Deloitte and Touche & Co. Chartered Accountants

Walee bin Moh'd Sobahi  
Certified Public Accountant  
License No. 378



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2024 and 2023

	Note	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
<b>ASSETS</b>			
Cash and balances with Saudi Central Bank (SAMA), net	4	<b>22,599,973</b>	26,175,226
Due from banks and other financial institutions, net	5	<b>22,574,084</b>	15,433,725
Positive fair value of derivatives	6	<b>5,568,952</b>	3,668,130
Investments, net	7	<b>69,668,963</b>	58,108,824
- Investment at fair value through income statement (FVIS)	7 a)	<b>4,492,580</b>	2,322,845
- Investment at amortised cost, net	7 a)	<b>44,151,537</b>	34,618,204
- Investments at fair value through other comprehensive income (FVOCI)	7 a)	<b>21,024,846</b>	21,167,775
Loans and advances, net	8	<b>320,089,491</b>	274,398,246
Other assets	11	<b>2,204,083</b>	2,547,120
Investment in associates	9	<b>402,419</b>	379,941
Other real estate		<b>753,700</b>	670,470
Property, equipment and right of use assets, net	10	<b>6,517,129</b>	5,467,247
<b>Total assets</b>		<b>450,378,794</b>	<b>386,848,929</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	12	<b>43,949,020</b>	42,464,026
Negative fair value of derivatives	6	<b>5,165,593</b>	3,428,575
Customer deposits	13	<b>306,423,391</b>	254,907,624
Debt securities in issue and term loan	14 a)	<b>13,324,453</b>	13,372,622
Other liabilities	15	<b>13,574,238</b>	12,418,011
<b>Total liabilities</b>		<b>382,436,695</b>	<b>326,590,858</b>
<b>Shareholders' equity</b>			
Share capital	16	<b>30,000,000</b>	30,000,000
Treasury shares	17	<b>(165,105)</b>	(165,912)
Statutory reserve	18	<b>15,283,989</b>	12,953,515
Other reserves	19	<b>77,216</b>	(369,203)
Retained earnings		<b>13,359,899</b>	<b>11,277,171</b>
<b>Equity attributable to the shareholders of the Bank</b>		<b>58,555,999</b>	<b>53,695,571</b>
Tier 1 Sukuk	14 b)	<b>9,386,100</b>	<b>6,562,500</b>
<b>Total equity</b>		<b>67,942,099</b>	<b>60,258,071</b>
<b>Total liabilities and equity</b>		<b>450,378,794</b>	<b>386,848,929</b>

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

*[Handwritten Signature]*



Abdullah A. Al-Oraini  
Chief Financial Officer



Nadir S. Al-Koraya  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

**CONSOLIDATED STATEMENT OF INCOME**  
For the years ended December 31, 2024 and 2023

	Note	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Special commission income	21	<b>24,182,126</b>	20,606,115
Special commission expense	21	<b>11,308,859</b>	8,191,837
<b>Net special commission income</b>		<b>12,873,267</b>	<b>12,414,278</b>
Fee and commission income	22	<b>4,539,492</b>	3,730,796
Fee and commission expense	22	<b>1,548,552</b>	1,346,175
<b>Fee and commission income, net</b>		<b>2,990,940</b>	<b>2,384,621</b>
Exchange income, net		<b>779,396</b>	608,106
Trading income, net	23	<b>529,420</b>	419,944
Dividend income		<b>43,374</b>	40,801
Gains/(losses) on disposal of non-trading investments, net	24	<b>16,802</b>	(43,630)
Other operating income	25	<b>51,332</b>	74,718
<b>Total operating income, net</b>		<b>17,284,531</b>	<b>15,898,838</b>
Salaries and employee-related expenses	26	<b>2,752,215</b>	2,542,164
Rent and premises-related expenses		<b>216,327</b>	219,979
Depreciation of property, equipment, and right of use assets	10	<b>683,579</b>	695,356
Other general and administrative expenses	27	<b>1,591,137</b>	1,463,518
Other operating expenses		<b>42,343</b>	47,607
<b>Total operating expenses before impairment charge</b>		<b>5,285,601</b>	<b>4,968,624</b>
Impairment charge for credit losses and other financial assets, net	8 e)	<b>1,620,728</b>	1,875,464
Impairment charge for investments, net		<b>11,618</b>	96,224
<b>Total operating expenses, net</b>		<b>6,917,947</b>	<b>6,940,312</b>
<b>Net operating income</b>		<b>10,366,584</b>	<b>8,958,526</b>
Share in income of associates, net		<b>30,354</b>	12,273
<b>Income before zakat</b>		<b>10,396,938</b>	<b>8,970,799</b>
Zakat	30	<b>1,075,044</b>	924,955
<b>Net income</b>		<b>9,321,894</b>	<b>8,045,844</b>
<b>Basic and diluted earnings per share (in SAR)</b>	28	<b>3.01</b>	<b>2.58</b>

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.





Abdullah A. Al-Oraini  
Chief Financial Officer



Nadir S. Al-Koraya  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2024 and 2023**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
<b>Net income</b>	<b>9,321,894</b>	8,045,844
<b>Other comprehensive income (OCI):</b>		
<b>a) Items that will be reclassified to consolidated statement of income in subsequent periods</b>		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value	333,042	211,552
- Net amounts transferred to consolidated statement of income	(16,802)	43,630
- Net changes in allowance for expected credit losses (ECL) of debt instruments	10,987	98,820
- Effective portion of net change in fair value of cash flow hedge	(68,820)	(13,118)
<b>b) Items that will not be reclassified to consolidated statement of income in subsequent periods</b>		
- Actuarial gains (losses) on defined benefit plans (note 31 d)	173,368	(127,711)
- Net change in fair value and transfers of equity instruments at fair value through other comprehensive income	539	207,884
<b>Other comprehensive income</b>	<b>432,314</b>	421,057
<b>Total comprehensive income</b>	<b>9,754,208</b>	<b>8,466,901</b>

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.



Abdullah A. Al-Oraini  
Chief Financial Officer



Nadir S. Al-Koraya  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the years ended December 31, 2024 and 2023

<u>SAR'000</u>	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders	Tier 1 sukuk	Total equity
<b>31 December 2024</b>									
Balance at the beginning of the year	30,000,000	(165,912)	12,953,515	(369,203)	11,277,171	-	53,695,571	6,562,500	60,258,071
<b>Total comprehensive income</b>									
Net changes in fair values of - FVOCI -equity instruments	-	-	-	539	-	-	539	-	539
- FVOCI -debt instruments	-	-	-	333,042	-	-	333,042	-	333,042
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	(16,802)	-	-	(16,802)	-	(16,802)
Net changes in allowance for expected credit on FVOCI -debt instruments	-	-	-	10,987	-	-	10,987	-	10,987
Actuarial gains (Note 31 d)	-	-	-	173,368	-	-	173,368	-	173,368
Net change in fair value of cash flow hedge	-	-	-	(68,820)	-	-	(68,820)	-	(68,820)
Net income	-	-	-	-	9,321,894	-	9,321,894	-	9,321,894
Total comprehensive income	-	-	-	432,314	9,321,894	-	9,754,208	-	9,754,208
Disposal of FVOCI-equity instruments	-	-	-	-	51,270	-	51,270	-	51,270
Tier 1 sukuk issued	-	-	-	-	-	-	-	2,823,600	2,823,600
Tier 1 sukuk costs	-	-	-	-	(317,712)	-	(317,712)	-	(317,712)
Final dividends paid - 2023 (note 29)	-	-	-	-	(2,246,250)	-	(2,246,250)	-	(2,246,250)
Interim dividend - 2024 (note 29)	-	-	-	-	(2,396,000)	-	(2,396,000)	-	(2,396,000)
Transfer to statutory reserve (note 18)	-	-	2,330,474	-	(2,330,474)	-	-	-	-
Employee share plan reserve	-	807	-	14,105	-	-	14,912	-	14,912
Balance at the end of the year	<u>30,000,000</u>	<u>(165,105)</u>	<u>15,283,989</u>	<u>77,216</u>	<u>13,359,899</u>	<u>-</u>	<u>58,555,999</u>	<u>9,386,100</u>	<u>67,942,099</u>
<b>31 December 2023</b>									
Balance at the beginning of the year	30,000,000	-	10,942,054	(790,260)	7,500,430	1,950,000	49,602,224	6,571,125	56,173,349
<b>Total comprehensive income</b>									
Net changes in fair values of - FVOCI -equity instruments	-	-	-	207,884	-	-	207,884	-	207,884
- FVOCI -debt instruments	-	-	-	211,552	-	-	211,552	-	211,552
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	43,630	-	-	43,630	-	43,630
Net changes in allowance for expected credit on FVOCI -debt instruments	-	-	-	98,820	-	-	98,820	-	98,820
Actuarial loss( note 31 d)	-	-	-	(127,711)	-	-	(127,711)	-	(127,711)
Net change in fair value of cash flow hedge	-	-	-	(13,118)	-	-	(13,118)	-	(13,118)
Net income	-	-	-	-	8,045,844	-	8,045,844	-	8,045,844
Total comprehensive income	-	-	-	421,057	8,045,844	-	8,466,901	-	8,466,901
Final dividends paid - 2022	-	-	-	-	-	(1,950,000)	(1,950,000)	-	(1,950,000)
Tier 1 sukuk costs	-	-	-	-	(310,416)	-	(310,416)	(8,625)	(319,041)
Treasury shares (note 17)	-	(165,912)	-	-	-	-	(165,912)	-	(165,912)
Interim dividend - 2023 (note 29)	-	-	-	-	(1,947,226)	-	(1,947,226)	-	(1,947,226)
Transfer to statutory reserve (note 18)	-	-	2,011,461	-	(2,011,461)	-	-	-	-
Balance at the end of the year	<u>30,000,000</u>	<u>(165,912)</u>	<u>12,953,515</u>	<u>(369,203)</u>	<u>11,277,171</u>	<u>-</u>	<u>53,695,571</u>	<u>6,562,500</u>	<u>60,258,071</u>

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.




Abdullah A. Al-Oraini  
Chief Financial Officer



Nadir S. Al-Koraya  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the years ended December 31, 2024 and 2023

	Note	2024 SAR'000	2023 SAR'000
<b>OPERATING ACTIVITIES</b>			
Income before zakat		<b>10,396,938</b>	8,970,799
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		(665,348)	(453,673)
(Gains)/ losses on disposal of non-trading investments, net		(16,802)	43,630
Gains on trading investments, net		(51,090)	(68,021)
(Gains)/ losses on sale of property and equipment, net		(2,427)	4,566
Dividend income		(43,374)	(40,801)
Depreciation of property, equipment and right of use assets		683,579	695,356
Share in income of associates, net		(30,354)	(12,273)
Impairment charge for credit losses and other financial assets, net	8 e)	1,620,728	1,875,464
Interest on lease liabilities		16,834	17,936
Impairment charge for investments, net		11,618	96,224
<b>Net (increase) decrease in operating assets:</b>		<b>11,920,302</b>	11,129,207
Statutory deposit with SAMA		(2,308,997)	(824,568)
Positive fair value of derivatives		(1,900,822)	122,711
Investments at FVIS		(2,118,645)	(891,405)
Loans and advances, net		(46,699,921)	(33,867,292)
Other real estate		(83,230)	(205,221)
Other assets		343,037	628,826
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		1,484,994	3,703,958
Negative fair value of derivatives		1,737,018	574,290
Customer deposits		51,515,767	14,900,539
Other liabilities		1,108,075	90,785
<b>Zakat paid</b>		<b>14,997,578</b>	(4,638,170)
<b>Net cash from (used in) operating activities</b>		<b>(931,647)</b>	(1,282,325)
<b>INVESTING ACTIVITIES</b>		<b>14,065,931</b>	(5,920,495)
Proceeds from sales and maturities of investments not held as FVIS instruments		22,974,609	10,011,007
Purchase of investments not held as FVIS instruments		(31,682,776)	(14,417,241)
Purchase of property and equipment		(1,772,311)	(2,946,789)
Proceeds from sale of property and equipment		41,277	88,275
<b>Net cash used in investing activities</b>		<b>(10,439,201)</b>	(7,264,748)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of debt securities in issue and term loan, net		-	4,600,353
Debt securities in issue and term loan, net, related movements		(48,169)	5,225
Proceeds from issue of Tier 1 sukuk	14	2,823,600	-
Dividend paid		(4,624,977)	(3,878,282)
Tier 1 sukuk related costs		(317,712)	(310,416)
Payment of principal portion of lease liabilities		(203,363)	(261,226)
Purchase of treasury shares		-	(165,912)
<b>Net cash used in financing activities</b>		<b>(2,370,621)</b>	(10,258)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>1,256,109</b>	(13,195,501)
Cash and cash equivalents at beginning of the year		<b>28,290,580</b>	41,486,081
<b>Cash and cash equivalents at end of the year</b>	32	<b>29,546,689</b>	<b>28,290,580</b>
Special commission received during the year		23,978,412	20,236,585
Special commission paid during the year		11,374,302	7,540,378
<b>Supplemental non-cash information</b>			
Net changes in fair value and transfers to consolidated statement of income		247,959	449,948
Right of use (ROU) assets		(82,493)	(67,514)
Lease liabilities		(83,235)	(75,990)

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.


  
Abdullah A. Al-Oraini  
Chief Financial Officer



Nadir S. Al-Koraya  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 333 (2023: 335) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 7,588 as at December 31, 2024 (2023: 7,887 employees). The Bank's Head Office is located at the following address:

Granada Oasis - A1 Tower  
Riyadh - Al Shuhada District  
P.O. Box 22622  
Riyadh 11416  
Kingdom of Saudi Arabia

The objective of the Group is to provide a full range of banking and investment services. The Bank also provides to its customers, non-conventional banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group"). The significant subsidiaries of Riyad Bank are given below:

Subsidiary	Ownership	Description
Riyad Capital	100%	engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority, incorporated in the Kingdom of Saudi Arabia
Ithra Al-Riyad Real Estate Company	100%	formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities, incorporated in the Kingdom of Saudi Arabia
Esnad Al-Riyadh	100%	a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group,
Curzon Street Properties Limited	100%	a property holding company, incorporated in the Isle of Man
Riyad Financial Markets	100%	a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank, incorporated in the Cayman Islands
Jeel Digital Innovation Company	100%	engaged in systems analysis, application and operating systems development, hosting websites, financial technology solutions and related activities , incorporated in the Kingdom of Saudi Arabia.
1957 Ventures	100%	Engaged in fostering innovation by investing in building FinTech ventures and offering comprehensive support, including resources, mentorship, and strategic insights, incorporated in the Kingdom of Saudi Arabia

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 2. BASIS OF PREPARATION (continued)

#### b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments, liabilities for cash-settled-share based payments and defined benefit obligations. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

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

#### c) Going concern

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

#### d) 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 Saudi Arabian Riyals.

#### e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 2. BASIS OF PREPARATION (continued)

#### e) Critical accounting judgements, estimates and assumptions (continued)

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

##### i) Judgement of equity vs liability for Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 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 and essentially mean that the remedies available to sukukholders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

##### ii ) Expected credit losses (ECL) on financial assets

The measurement of impairment losses under IFRS 9 on the applicable 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 that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probabilities 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 formulae and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 34.3 (b) (v)).

ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include categorisation of loans into Stages 1, 2 and 3 based on the identification of:

- (a) exposures with a significant increase in credit risk ("SICR") since their origination; and
- (b) individually impaired / defaulted exposures.

##### iii ) Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 2. BASIS OF PREPARATION (continued)

#### e) Critical accounting judgements, estimates and assumptions (continued)

##### iv ) Determination of control over investees

###### Investment funds

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

###### Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

##### v ) Defined benefit scheme

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 assumptions and estimate refer note 31.

##### vi ) Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within 'fee and commission income, net'.

##### vii ) Government Grant

The management has exercised certain judgements in the recognition and measurement of the grant income.

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements and changes therein are set out below.

#### 3.1 Changes in accounting policies

Except for the change in estimated useful lives of certain property, equipment and intangible assets (mentioned in note 3 q)), 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.1 Changes in accounting policies (continued)

##### 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, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024, subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.1 Changes in accounting policies (continued)

##### Accounting standards issued but not yet effective

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 1, 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	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.	January 1, 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.	January 1, 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.	January 1, 2027

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 3.2 Accounting Policies

##### a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

###### i) Financial Asset at amortised cost (AC)

A financial asset is measured at amortised 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 interest on the principal amount outstanding (SPPI test).

###### ii) Financial Asset at FVOCI

Debt instrument : A debt 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 interest 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. Interest income and foreign exchange gains and losses are recognised in profit or loss.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Equity instruments at FVOCI are not subject to an impairment assessment.

###### iii) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except if the Group changes its business model for managing financial assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)****a) Classification of financial assets (continued)**

The details of business model assessment and SPPI test are explained below.

**Business model assessment**

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the 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;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the 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.

**Assessments whether contractual cash flows are solely payments of principal and interest(SPPI)**

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 interest rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### b) Classification of financial liabilities

All money market deposits, customer deposits and debt securities in issue and term loan are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

#### c) Derecognition

##### i) 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, 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 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.

In certain transactions, the Group 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.

##### ii) Financial liabilities

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### d) Modifications of financial assets and financial liabilities

##### i) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, 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 statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

##### ii) Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of income.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

#### e) Impairment

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

- debt investment securities;
- due from bank balances;
- financial guarantee contracts issued;
- loan and advances; and
- loan commitments

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 a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' ( i.e. a credit rating of 'BBB' or above).

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### e) Impairment (continued)

##### Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the 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 loan 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: the original effective interest rate or an approximation thereof;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan 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.

##### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

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

##### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise ;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In 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 bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### e) Impairment (continued)

##### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan 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
- debt instruments measured at FVOCI: The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

##### **Collateral valuation**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

##### **Collateral repossession**

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations, 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 on the Statement of financial position.

##### **Write-off**

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when it is determined 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

##### **Credit cards and other revolving facilities**

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, primarily on uncommitted basis, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. Based on uncommitted nature of such exposures, past experience, and the Bank's expectations, the period over which the Bank calculates ECL for these products is less than one year for corporate overdrafts and up to two years for corporate and retail credit cards. The ongoing assessment of whether a significant increase in credit risk has occurred for such product exposures is similar to other lending products that is based shifts in the customer's internal credit grade/PDs, and where applicable on the basis of Days Past Due (DPD) rules. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group 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.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments:the Group recognizes loss allowance based on the ECL requirement.

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

#### g) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank 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 recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest 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. The government grant is recognised in the consolidated statement of income on a systematic basis over the period in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank.

#### h) Revenue / expenses recognition

##### Special commission income and expenses

Special commission income and expense are recognized in statement of income, using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial instrument.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### h) Revenue / expenses recognition (continued)

##### **Measurement of amortized cost and special commission income**

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

##### **Fee and commission income**

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

##### **Others**

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### h) Revenue / expenses 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 share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

##### **Brokerage income**

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction, which is considered as a performance obligation satisfied at a point in time, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

##### **Asset management fees**

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based"), or percentage of capital deployed/raised subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligation, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

##### **Advisory and investment banking services revenue**

Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

##### **Underwriting fees**

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

##### **Custody Fee**

Custody fee is received upfront and amortised over the period of the service (deferred income).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as "Hassad points"), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

#### j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

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

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

#### Investment funds

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

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### k) Investment in associates

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 associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. 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 reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

#### I) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

##### i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income/ loss. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

##### ii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

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 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 the inception of the hedge, the risk management objective and strategy is 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 ongoing basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### I) Derivative financial instruments and hedge accounting (continued)

##### (ii) Hedge accounting (continued)

###### (a) 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 recognised immediately in the consolidated statement of income.

###### (b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect 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 immediately 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 transaction affects the consolidated statement of income. 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.

Hedge accounting is discontinued when the hedging instrument expires or is 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. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated statement of income for the period.

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. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statement of income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

#### n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

#### o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### p) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

#### q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. During the period, the estimated total useful lives of certain property, equipment and intangible assets were revised as follows:

<u>Class of property, equipment and intangible assets</u>	<u>Estimated useful life before change</u>	<u>Estimated useful life after change</u>
Buildings	33 years	40 years
Improvements and decoration of premises (Owned)	5 years	8-15 years
Improvements and decoration of premises (Leased)	over the lower of the lease period or 5 years	over the lower of the lease period or useful life
Software programs and automation projects	3-5 years	6-10 years

There was no change in useful lives of below:

Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Motor vehicles	4 years

The revision in useful lives was based on the operational efficiency review of these assets. The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard IAS 8 "Accounting policies, changes in accounting estimates and errors". Had the revision in the useful lives of these assets not been made, the depreciation / amortization expense for the year ended 31 December 2024 would have been higher by SAR 151 million and consequently net income before zakat would have been lower by the same amount.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### r) Profit sharing investment account (PSIA)

The Bank offers Unrestricted Investment Accounts based on fully Sharia compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds (IAH) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

The investment risk reserve is deducted from customer's share after allocating the Mudarib share of profit as per the approved policy in order to cater against future losses of equity of unrestricted investment accountholders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

The profit equalization reserve is the amount the bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and unrestricted investment accountholders.

Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

#### s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

Where the Bank purchases the Bank's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the owners of the Bank.

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

#### t) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

#### u) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### v) Accounting for leases - Right of Use Asset / Lease Liabilities

On initial recognition, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

##### Right of Use Assets

The Group measures right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

##### Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, Bank measures the lease liability by:

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

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

#### w) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

#### x) End of service benefits

The provision for employees' end of service benefits is accrued using actuarial valuation according to the regulations of Saudi Labor Law and local regulatory requirements.

#### y) 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 statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

##### Value Added tax ("VAT")

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### z) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

#### aa) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

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

iii) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

#### ab) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated

#### ac) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### ad) Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption/ maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit, as part of equity. The related costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

#### ae) Treasury Shares and Share Based Payment Plan

Treasury shares and share based payment Plan are recognized at cost and presented as a deduction from the equity as adjusted for any transaction cost, and gains or losses on sale of such shares. Subsequently, these are carried at the amount equal to consideration paid. Gains or losses on disposal of such shares, if any, are reflected under equity and are not recognized in the consolidated statement of income.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2024 and 2023**
**4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA),NET**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Cash in hand	1,887,900	3,450,448
Statutory deposit	15,627,368	13,318,371
Placements with SAMA	4,712,178	9,141,203
Other balances	372,527	265,204
<b>Total</b>	<b>22,599,973</b>	<b>26,175,226</b>

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly averages at the end of each Gregorian month. The statutory deposit with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

The allowance for expected credit losses (ECL), in respect of the above, was marginal as on December 31, 2024 and 2023. The ECL allowance relates to stage 1 exposures.

**5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Current accounts	6,700,660	6,459,825
Money market placements	15,874,480	8,975,332
Less: Allowance for ECL	(1,056)	(1,432)
<b>Total</b>	<b>22,574,084</b>	<b>15,433,725</b>

Money market placements include margin deposits amounting to SAR 2,275 million (2023: SAR 1,444 million).

An analysis of changes in loss allowance is as follows:

SAR'000	<u>Stage 1</u> <u>12-month ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL - credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	1,428	4	-	1,432
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net remeasurement and other movements	(376)	-	-	(376)
<b>Balance as at December 31, 2024</b>	<b>1,052</b>	<b>4</b>	<b>-</b>	<b>1,056</b>

SAR'000				
Balance at January 1, 2023	582	-	-	582
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(4)	4	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net remeasurement and other movements	850	-	-	850
<b>Balance as at December 31, 2023</b>	<b>1,428</b>	<b>4</b>	<b>-</b>	<b>1,432</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 6. DERIVATIVES

In the ordinary course of business, the Group utilises mainly the following derivative financial instruments for both trading and hedging

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal.

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 customised contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled on daily basis.

c) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

#### Held for trading purposes

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

#### Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors 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 also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 6. DERIVATIVES (continued)

#### Held for hedging purposes (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. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

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

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc.

#### Fair value hedges

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

#### Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate at a variable rate. The Group uses special commission rate swaps as cash flow hedges of these special commission rate risks.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**6. DERIVATIVES (continued)**

The table below shows the positive and negative fair values of derivative financial instruments held, together with their 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 reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

2024 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity					Monthly average
				Within 3 months	3-12 months	1-5 years	Over 5 years		
<b>Held for trading:</b>									
Special commission rate swaps	5,372,222	(4,864,104)	268,796,411	6,192,438	27,510,564	101,213,651	133,879,758	190,706,738	
Forward foreign exchange contracts	136,489	(202,044)	30,812,814	26,108,067	208,839	4,495,908	-	17,866,698	
Currency options	522	-	441,194	66,196	374,998	-	-	330,085	
Commodity swaps	30,757	(30,210)	1,231,424	1,012,633	218,791	-	-	1,231,424	
<b>Held as fair value hedges:</b>									
Special commission rate swaps	28,962	-	1,595,940	806,886	-	789,054	-	1,595,940	
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	-	(69,235)	1,375,000	-	-	1,375,000	-	1,375,000	
<b>Total</b>	<b>5,568,952</b>	<b>(5,165,593)</b>	<b>304,252,783</b>	<b>34,186,220</b>	<b>28,313,192</b>	<b>107,873,613</b>	<b>133,879,758</b>		
2023 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity					Monthly average
				Within 3 months	3-12 months	1-5 years	Over 5 years		
<b>Held for trading:</b>									
Special commission rate swaps	3,548,151	(3,267,680)	171,757,919	7,614,394	29,226,833	69,031,218	65,885,474	117,545,921	
Forward foreign exchange contracts	43,061	(30,639)	9,623,318	8,077,181	1,456,137	90,000	-	23,415,971	
Currency options	557	(1,078)	76,083	47,442	28,641	-	-	34,309	
Commodity swaps	32,910	(30,894)	1,385,482	752,978	632,504	-	-	1,385,482	
<b>Held as fair value hedges:</b>									
Special commission rate swaps	43,451	-	1,592,797	-	-	1,592,797	-	1,592,797	
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	-	(98,284)	1,375,000	-	-	1,375,000	-	1,375,000	
<b>Total</b>	<b>3,668,130</b>	<b>(3,428,575)</b>	<b>185,810,599</b>	<b>16,491,995</b>	<b>31,344,115</b>	<b>72,089,015</b>	<b>65,885,474</b>		

Derivatives include non-conventional banking products of SAR 34.6 billion as at December 31, 2024 (December 31, 2023: SAR 21.7 billion)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**6. DERIVATIVES (continued)**
**Cash flow hedges**

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Below is the schedule indicating as at December 31, 2024 and 2023, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

	Within 1 year	1-3 years	3-5 years	Over 5 years
<b>2024</b>				
<b>SAR 000s</b>				
<b>Cash inflows (assets)</b>	<b>76,857</b>	<b>50,099</b>	-	-
<b>Total</b>	<b>76,857</b>	<b>50,099</b>	-	-
<b>2023</b>				
<b>SAR 000s</b>				
<b>Cash inflows (assets)</b>	<b>86,381</b>	<b>142,926</b>	-	-
<b>Total</b>	<b>86,381</b>	<b>142,926</b>	-	-

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2024 and 2023.

<b>2024</b> <b>SAR '000</b> <b>Description of hedged items</b>	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value		
					Within 1 year	1-3 years	3-5 years	Over 5 years
Fixed commission rate investments	791,584	819,876	Fair value	Special commission rate swaps	28,292	-		
Fixed commission rate loans	801,043	800,373	Fair value	Special commission rate swaps	670	-		
Floating rate notes	1,305,765	1,375,000	Cash flow	Special commission rate swaps	-	(69,235)		
<b>2023</b> <b>SAR '000</b> <b>Description of hedged items</b>	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value		
					Within 1 year	1-3 years	3-5 years	Over 5 years
Fixed commission rate investments	794,332	818,262	Fair value	Special commission rate swaps	23,930	-		
Fixed commission rate loans	779,276	798,797	Fair value	Special commission rate swaps	19,521	-		
Floating rate securities	1,276,716	1,375,000	Cash flow	Special commission rate swaps	-	(98,284)		

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed with financial counterparties. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the financial counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC interest rate derivatives contracts for G4 currencies are cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of initial and variation margins to reduce counterparty credit and liquidity risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**7. INVESTMENTS, NET**
**a) Investments by type of securities**
**i) Investment at FVIS**

SAR'000	Domestic		International		Total	
	2024	2023	2024	2023	2024	2023
Mutual funds	4,492,580	2,322,845	-	-	4,492,580	2,322,845
<b>Total</b>	<b>4,492,580</b>	<b>2,322,845</b>	<b>-</b>	<b>-</b>	<b>4,492,580</b>	<b>2,322,845</b>

**ii) Investment at amortised cost, net**

SAR'000	Domestic		International		Total	
	2024	2023	2024	2023	2024	2023
Fixed rate securities	41,392,621	31,805,451	105,806	103,926	41,498,427	31,909,377
Floating rate securities	2,653,110	2,708,827	-	-	2,653,110	2,708,827
<b>Total</b>	<b>44,045,731</b>	<b>34,514,278</b>	<b>105,806</b>	<b>103,926</b>	<b>44,151,537</b>	<b>34,618,204</b>

**iii) Investments at FVOCI**

SAR'000	Domestic		International		Total	
	2024	2023	2024	2023	2024	2023
Fixed rate securities	-	-	18,852,456	19,534,543	18,852,456	19,534,543
Floating rate securities	-	-	627,771	2,453	627,771	2,453
Equities ( note 7-c )	432,952	563,340	1,111,667	1,067,439	1,544,619	1,630,779
<b>Total</b>	<b>432,952</b>	<b>563,340</b>	<b>20,591,894</b>	<b>20,604,435</b>	<b>21,024,846</b>	<b>21,167,775</b>
<b>Investments, net</b>	<b>48,971,263</b>	<b>37,400,463</b>	<b>20,697,700</b>	<b>20,708,361</b>	<b>69,668,963</b>	<b>58,108,824</b>

Above investments include sukus amounting to SAR 25.2 billion (2023: SAR 23.9 billion). Mutual funds include SAR 4.2 billion(2023: SAR 2.1 billion) of Islamic funds.

International investments above includes investment portfolios of SAR 1.6 billion (2023: SAR 2.1 billion) which are externally managed.

**b) (i) An analysis of changes in loss allowance is as follows:**
**Debt instruments carried at amortised cost**
**(SAR'000)**

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	lifetime ECL - not credit impaired	lifetime ECL - credit impaired	

Balance at January 1, 2024	1,769	1,064	-	2,833
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Other movements*	1,084	(453)	-	631
<b>Balance as at December 31, 2024</b>	<b>2,853</b>	<b>611</b>	<b>-</b>	<b>3,464</b>

Balance at January 1, 2023	4,022	1,407	-	5,429
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Other movements*	(2,253)	(343)	-	(2,596)
<b>Balance as at December 31, 2023</b>	<b>1,769</b>	<b>1,064</b>	<b>-</b>	<b>2,833</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**7. INVESTMENTS, NET (continued)**

b) An analysis of changes in loss allowance is as follows:

**Debt instruments carried at FVOCI**

(SAR'000)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>lifetime ECL -</u>	<u>lifetime ECL -</u>	
		<u>not credit</u>	<u>credit</u>	
Balance at January 1, 2024	38,198	77,085	357,704	472,987
Transfer from Stage 2 & Stage 3 to Stage 1	4,962	(4,962)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,686)	1,686	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(6,582)	6,582	-
Other movements*	(9,327)	3,714	16,600	10,987
Balance as at December 31, 2024	<u>32,147</u>	<u>70,941</u>	<u>380,886</u>	<u>483,974</u>
Balance at January 1, 2023	18,600	45,527	310,040	374,167
Transfer from Stage 2 & Stage 3 to Stage 1	2,755	(2,755)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,064)	1,064	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(21)	(1,439)	1,460	-
Other movements*	17,928	34,688	46,204	98,820
Balance as at December 31, 2023	<u>38,198</u>	<u>77,085</u>	<u>357,704</u>	<u>472,987</u>

\* Includes remeasurement

(ii) An analysis of changes in gross carrying amount is as follows:

**Debt instruments carried at amortised cost**

(SAR'000)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>lifetime ECL -</u>	<u>lifetime ECL -</u>	
		<u>not credit</u>	<u>credit</u>	
Balance at January 1, 2024	34,515,854	105,183	-	34,621,037
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Other movements*	9,533,810	154	-	9,533,964
Balance as at December 31, 2024	<u>44,049,664</u>	<u>105,337</u>	<u>-</u>	<u>44,155,001</u>
Balance at January 1, 2023	33,266,830	105,558	-	33,372,388
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Other movements*	1,249,024	(375)	-	1,248,649
Balance as at December 31, 2023	<u>34,515,854</u>	<u>105,183</u>	<u>-</u>	<u>34,621,037</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**7. INVESTMENTS, NET**

b) (ii) An analysis of changes in gross carrying amount is as follows:

**Debt instruments carried at FVOCI**

(SAR'000)	<u>Stage 1</u> <u>12-month ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL - credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	16,849,562	1,892,537	794,897	19,536,996
Transfer from Stage 2 & Stage 3 to Stage 1	371,903	(371,903)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(176,665)	176,665	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(70,280)	70,280	-
Other movements*	190,552	(228,557)	(18,764)	(56,769)
<b>Balance as at December 31, 2024</b>	<b>17,235,352</b>	<b>1,398,462</b>	<b>846,413</b>	<b>19,480,227</b>
Balance at January 1, 2023	13,718,389	1,640,626	688,977	16,047,992
Transfer from Stage 2 & Stage 3 to Stage 1	70,286	(70,286)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(454,911)	454,911	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(6,802)	(83,849)	90,651	-
Other movements*	3,522,600	(48,865)	15,269	3,489,004
<b>Balance as at December 31, 2023</b>	<b>16,849,562</b>	<b>1,892,537</b>	<b>794,897</b>	<b>19,536,996</b>

**c) Equity securities designated at FVOCI**

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	<u>Fair value as at December 31, 2024</u>	<u>Fair value as at December 31, 2023</u>	<u>Dividend income recognised during 2024</u>	<u>Dividend income recognised during 2023</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Saudi Exchange(Tadawul) listed equities	58,143	75,756	16,358	23,308
Other Saudi equities	339,099	487,584	8	5,080
Foreign equities	1,147,377	1,067,439	14,331	117
<b>Total</b>	<b>1,544,619</b>	<b>1,630,779</b>	<b>30,697</b>	<b>28,505</b>

During 2024, the Group sold shares having a fair value of SAR 26.1 million (2023: nil) and the gain amounting to SAR 52.0 million (2023: nil) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**7. INVESTMENTS, NET (continued)**

d) The analysis of the composition of investments is as follows:

## i) Investment at FVIS

SAR '000	2024			2023		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Mutual funds	4,492,580	-	4,492,580	2,322,845	-	2,322,845
<b>Total</b>	<b>4,492,580</b>	<b>-</b>	<b>4,492,580</b>	<b>2,322,845</b>	<b>-</b>	<b>2,322,845</b>

## ii) Investment at amortised cost, net

SAR '000	2024			2023		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	29,163,035	12,335,392	41,498,427	26,755,758	5,153,619	31,909,377
Floating rate securities	1,382,533	1,270,577	2,653,110	1,384,358	1,324,469	2,708,827
<b>Total</b>	<b>30,545,568</b>	<b>13,605,969</b>	<b>44,151,537</b>	<b>28,140,116</b>	<b>6,478,088</b>	<b>34,618,204</b>

## iii) Investments at FVOCI

SAR '000	2024			2023		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	18,852,456	-	18,852,456	19,534,543	-	19,534,543
Floating rate securities	627,771	-	627,771	2,453	-	2,453
Equities	1,040,417	504,202	1,544,619	950,012	680,767	1,630,779
<b>Total</b>	<b>20,520,644</b>	<b>504,202</b>	<b>21,024,846</b>	<b>20,487,008</b>	<b>680,767</b>	<b>21,167,775</b>
<b>Investments, net</b>	<b>55,558,792</b>	<b>14,110,171</b>	<b>69,668,963</b>	<b>50,949,969</b>	<b>7,158,855</b>	<b>58,108,824</b>

\*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 11.5 billion (2023: SAR 4.3 billion).

e) The analysis of investments by counter-party is as follows:

	2024		2023	
	SAR '000	SAR '000	SAR '000	SAR '000
Government and quasi Government			44,486,336	35,240,908
Corporate			19,441,523	16,955,034
Banks and other financial institutions			5,741,104	5,912,882
<b>Total</b>			<b>69,668,963</b>	<b>58,108,824</b>

Investments include SAR 14,096 million (2023: SAR 12,678 million), which have been pledged under repurchase agreements with banks (note 20 d). The market value of such investments is SAR 13,891 million (2023: SAR 11,069 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**8. LOANS AND ADVANCES, NET**

a) These comprise the following:

	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
<b>2024</b>						
<b>SAR'000</b>						
Performing loans and advances	6,094,029	1,726,609	94,476,642	217,284,176	2,636,059	322,217,515
Non-performing loans and advances	84,882	73,259	1,184,031	1,829,052	2,300	3,173,524
<b>Total loans and advances</b>	<b>6,178,911</b>	<b>1,799,868</b>	<b>95,660,673</b>	<b>219,113,228</b>	<b>2,638,359</b>	<b>325,391,039</b>
Allowance for impairment/ ECL	(497,903)	(84,617)	(1,425,880)	(3,290,604)	(2,544)	(5,301,548)
<b>Total</b>	<b>5,681,008</b>	<b>1,715,251</b>	<b>94,234,793</b>	<b>215,822,624</b>	<b>2,635,815</b>	<b>320,089,491</b>
<b>2023</b>	<b>Overdrafts</b>	<b>Credit cards</b>	<b>Consumer loans*</b>	<b>Commercial loans</b>	<b>Others</b>	<b>Total</b>
<b>SAR'000</b>						
Performing loans and advances	5,691,257	1,472,583	93,839,733	173,079,952	1,773,222	275,856,747
Non-performing loans and advances	106,444	46,201	1,194,271	2,115,084	1,818	3,463,818
<b>Total loans and advances</b>	<b>5,797,701</b>	<b>1,518,784</b>	<b>95,034,004</b>	<b>175,195,036</b>	<b>1,775,040</b>	<b>279,320,565</b>
Allowance for impairment/ ECL	(169,251)	(53,612)	(1,074,734)	(3,622,932)	(1,790)	(4,922,319)
<b>Total</b>	<b>5,628,450</b>	<b>1,465,172</b>	<b>93,959,270</b>	<b>171,572,104</b>	<b>1,773,250</b>	<b>274,398,246</b>

Loans and advances, net, include non-conventional banking products of SAR 208.3 billion (2023: SAR 188.5 billion). As at December 2024, the non-conventional banking products gross portfolio mainly comprises of Tawaroq amounting to SAR 153.6 billion ( 2023: SAR 136.0 billion), Murabaha amounting to SAR 30.3 billion ( 2023: SAR 30.7 billion) and Ijarah amounting to SAR 22.7 billion (2023: SAR 21.3 billion) and the expected credit loss allowance on the portfolio was SAR 3.9 billion (2023: SAR 3.4 billion). During 2024, the special commission income on the portfolio amounted to SAR 13.7 billion (2023: SAR 11.3 billion).

\* Includes consumer mortgage loans

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances (SAR'000)

	<u>Stage 1</u> <u>12-month ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL - credit impaired</u>	<u>Total</u>
<b>Balance at January 1, 2024</b>	<b>811,401</b>	<b>2,085,676</b>	<b>2,025,242</b>	<b>4,922,319</b>
Transfer from Stage 2 & Stage 3 to Stage 1	173,493	(83,361)	(90,132)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(21,848)	55,868	(34,020)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(4,788)	(114,185)	118,973	-
Other movements*	23,918	352,956	1,473,471	1,850,345
Charge-off and write-offs	-	-	(1,471,116)	(1,471,116)
<b>Balance as at December 31, 2024</b>	<b>982,176</b>	<b>2,296,954</b>	<b>2,022,418</b>	<b>5,301,548</b>
 Balance at January 1, 2023	 528,970	 1,549,537	 2,676,291	 4,754,798
Transfer from Stage 2 & Stage 3 to Stage 1	226,560	(106,855)	(119,705)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(10,245)	38,021	(27,776)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(5,688)	(46,977)	52,665	-
Other movements*	71,804	651,950	1,135,726	1,859,480
Charge-off and write-offs	-	-	(1,691,959)	(1,691,959)
<b>Balance as at December 31, 2023</b>	<b>811,401</b>	<b>2,085,676</b>	<b>2,025,242</b>	<b>4,922,319</b>

\*Includes remeasurement

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**8. LOANS AND ADVANCES, NET (continued)**
**b) An analysis of changes in loss allowance for loans and advances (continued)**
ECL on credit cards (SAR'000)

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not</u> <u>credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL -</u> <u>credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	15,902	10,831	26,879	53,612
Transfer from Stage 2 & Stage 3 to Stage 1	4,791	(2,371)	(2,420)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(724)	1,849	(1,125)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(506)	(1,365)	1,871	-
Other movements*	(954)	6,737	86,506	92,289
Write-offs	-	-	(61,284)	(61,284)
<b>Balance as at December 31, 2024</b>	<b>18,509</b>	<b>15,681</b>	<b>50,427</b>	<b>84,617</b>

Balance at January 1, 2023	21,938	9,762	28,318	60,018
Transfer from Stage 2 & Stage 3 to Stage 1	9,578	(3,171)	(6,407)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(498)	1,321	(823)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(364)	(841)	1,205	-
Other movements*	(14,752)	3,760	65,313	54,321
Write-offs	-	-	(60,727)	(60,727)
<b>Balance as at December 31, 2023</b>	<b>15,902</b>	<b>10,831</b>	<b>26,879</b>	<b>53,612</b>

ECL on consumer loans\*\*(SAR'000)

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not</u> <u>credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL -</u> <u>credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	294,613	166,822	613,299	1,074,734
Transfer from Stage 2 & Stage 3 to Stage 1	151,225	(67,221)	(84,004)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(6,685)	37,212	(30,527)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,423)	(32,169)	34,592	-
Other movements*	(5,717)	173,389	513,046	680,718
Write-offs	-	-	(329,572)	(329,572)
<b>Balance as at December 31, 2024</b>	<b>431,013</b>	<b>278,033</b>	<b>716,834</b>	<b>1,425,880</b>

Balance at January 1, 2023	244,610	87,198	654,264	986,072
Transfer from Stage 2 & Stage 3 to Stage 1	148,355	(37,992)	(110,363)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(4,096)	25,058	(20,962)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(3,249)	(14,640)	17,889	-
Other movements*	(91,007)	107,198	320,473	336,664
Write-offs	-	-	(248,002)	(248,002)
<b>Balance as at December 31, 2023</b>	<b>294,613</b>	<b>166,822</b>	<b>613,299</b>	<b>1,074,734</b>

\*Includes remeasurement

\*\*Includes consumer mortgage loans

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**8. LOANS AND ADVANCES, NET (continued)**
**b) An analysis of changes in loss allowance for loans and advances (continued)**
ECL on Commercial loans\*\*\* (SAR'000)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>lifetime ECL - not credit impaired</u>	<u>lifetime ECL - credit impaired</u>	
<b>Balance at January 1, 2024</b>	<b>500,886</b>	<b>1,908,023</b>	<b>1,385,064</b>	<b>3,793,973</b>
Transfer from Stage 2 & Stage 3 to Stage 1	17,477	(13,769)	(3,708)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(14,439)	16,807	(2,368)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,859)	(80,651)	82,510	-
Other movements*	30,589	172,830	873,919	1,077,338
Write-offs	-	-	(1,080,260)	(1,080,260)
<b>Balance as at December 31, 2024</b>	<b>532,654</b>	<b>2,003,240</b>	<b>1,255,157</b>	<b>3,791,051</b>
Balance at January 1, 2023	262,422	1,452,577	1,993,709	3,708,708
Transfer from Stage 2 & Stage 3 to Stage 1	68,627	(65,692)	(2,935)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(5,651)	11,642	(5,991)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,075)	(31,496)	33,571	-
Other movements*	177,563	540,992	749,940	1,468,495
Write-offs	-	-	(1,383,230)	(1,383,230)
<b>Balance as at December 31, 2023</b>	<b>500,886</b>	<b>1,908,023</b>	<b>1,385,064</b>	<b>3,793,973</b>

\*Includes remeasurement

\*\*\*Includes overdrafts and others

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**8. LOANS AND ADVANCES, NET (continued)**
**c) An analysis of changes in gross carrying amount of loans and advances**
**Total loans and advances (SAR'000)**

	<u>Stage 1</u> <u>12-month ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL - credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	258,856,541	16,131,359	4,332,665	279,320,565
Transfer from Stage 2 & Stage 3 to Stage 1	1,732,563	(1,500,819)	(231,744)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,955,709)	3,050,339	(94,630)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(609,198)	(787,525)	1,396,723	-
Net other movements*	50,820,851	(3,371,109)	444,478	47,894,220
Write-off	-	-	(1,823,746)	(1,823,746)
<b>Balance as at December 31, 2024</b>	<b>307,845,048</b>	<b>13,522,245</b>	<b>4,023,746</b>	<b>325,391,039</b>

Balance at January 1, 2023	228,278,751	13,914,977	4,926,017	247,119,745
Transfer from Stage 2 & Stage 3 to Stage 1	2,333,621	(2,007,821)	(325,800)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(3,380,522)	3,459,527	(79,005)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(871,252)	(794,012)	1,665,264	-
Net other movements*	32,495,943	1,558,688	151,014	34,205,645
Write-offs	-	-	(2,004,825)	(2,004,825)
<b>Balance as at December 31, 2023</b>	<b>258,856,541</b>	<b>16,131,359</b>	<b>4,332,665</b>	<b>279,320,565</b>

**Credit cards (SAR'000)**

	<u>Stage 1</u> <u>12-month ECL</u>	<u>Stage 2</u> <u>lifetime ECL - not credit impaired</u>	<u>Stage 3</u> <u>lifetime ECL - credit impaired</u>	<u>Total</u>
Balance at January 1, 2024	1,402,376	70,207	46,201	1,518,784
Transfer from Stage 2 & Stage 3 to Stage 1	21,189	(16,236)	(4,953)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(64,819)	67,172	(2,353)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(40,571)	(9,722)	50,293	-
Net other movements*	295,392	1,621	113,023	410,036
Write offs	-	-	(128,952)	(128,952)
<b>Balance as at December 31, 2024</b>	<b>1,613,567</b>	<b>113,042</b>	<b>73,259</b>	<b>1,799,868</b>

Balance at January 1, 2023	1,051,829	81,588	46,259	1,179,676
Transfer from Stage 2 & Stage 3 to Stage 1	39,725	(32,719)	(7,006)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(30,801)	32,482	(1,681)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(20,508)	(7,628)	28,136	-
Net other movements*	362,131	(3,516)	75,051	433,666
Write-offs	-	-	(94,558)	(94,558)
<b>Balance as at December 31, 2023</b>	<b>1,402,376</b>	<b>70,207</b>	<b>46,201</b>	<b>1,518,784</b>

\*Includes new loans generated, loans repaid and other movements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**8. LOANS AND ADVANCES, NET (continued)**
**c) An analysis of changes in gross carrying amount of loans and advances (continued)**
**Consumer loans\*\* (SAR'000)**

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL -</u> <u>not credit</u> <u>impaired</u>	<u>Stage 3</u> <u>lifetime ECL -</u> <u>credit</u> <u>impaired</u>	<u>Total</u>
Balance at January 1, 2024	92,390,637	1,449,096	1,194,271	95,034,004
Transfer from Stage 2 & Stage 3 to Stage 1	814,801	(596,015)	(218,786)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,364,628)	1,446,559	(81,931)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(411,816)	(195,351)	607,167	-
Net other movements*	1,073,316	(129,958)	297,845	1,241,203
Write-off	-	-	(614,534)	(614,534)
<b>Balance as at December 31, 2024</b>	<b>92,502,310</b>	<b>1,974,331</b>	<b>1,184,032</b>	<b>95,660,673</b>

Balance at January 1, 2023	83,250,523	1,707,667	1,264,370	86,222,560
Transfer from Stage 2 & Stage 3 to Stage 1	1,268,074	(956,944)	(311,130)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(821,876)	883,499	(61,623)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(435,568)	(191,261)	626,829	-
Net other movements*	9,129,484	6,135	202,862	9,338,481
Write-off	-	-	(527,037)	(527,037)
<b>Balance as at December 31, 2023</b>	<b>92,390,637</b>	<b>1,449,096</b>	<b>1,194,271</b>	<b>95,034,004</b>

**Commercial loans\*\*\*(SAR'000)**

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL -</u> <u>not credit</u> <u>impaired</u>	<u>Stage 3</u> <u>lifetime ECL -</u> <u>credit</u> <u>impaired</u>	<u>Total</u>
Balance at January 1, 2024	165,063,528	14,612,056	3,092,193	182,767,777
Transfer from Stage 2 & Stage 3 to Stage 1	896,573	(888,568)	(8,005)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,526,262)	1,536,608	(10,346)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(156,811)	(582,452)	739,263	-
Net other movements*	49,452,143	(3,242,772)	33,610	46,242,981
Write-off	-	-	(1,080,260)	(1,080,260)
<b>Balance as at December 31, 2024</b>	<b>213,729,171</b>	<b>11,434,872</b>	<b>2,766,455</b>	<b>227,930,498</b>

Balance at January 1, 2023	143,976,399	12,125,722	3,615,388	159,717,509
Transfer from Stage 2 & Stage 3 to Stage 1	1,025,822	(1,018,158)	(7,664)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,527,845)	2,543,546	(15,701)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(415,176)	(595,123)	1,010,299	-
Net other movements*	23,004,328	1,556,069	(126,899)	24,433,498
Write-off	-	-	(1,383,230)	(1,383,230)
<b>Balance as at December 31, 2023</b>	<b>165,063,528</b>	<b>14,612,056</b>	<b>3,092,193</b>	<b>182,767,777</b>

\*Includes new loans generated, loans repaid and other movements

\*\*Includes consumer mortgage loans

\*\*\*Includes overdrafts and others

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

 For the years ended December 31, 2024 and 2023
 

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**8. LOANS AND ADVANCES, NET (continued)**

- d) Impairment charge for financing losses in the consolidated statement of income represents:

	2024 SAR'000	2023 SAR'000
Charge for the year, net*	<u>2,200,755</u>	2,338,140
Recovery of written off loans and advances, net	<u>(596,039)</u>	(504,147)
Allowance for impairment, net (note 8 e)	<u>1,604,716</u>	<u>1,833,993</u>

\* Includes net charge offs

- e) Impairment charges for credit losses and other provisions, net as reflected in the consolidated statement of income are detailed as follows:

	2024 SAR'000	2023 SAR'000
Impairment charge for credit losses, net (note 8 d)	<u>1,604,716</u>	1,833,993
Impairment charge for other financial assets, net	<u>16,012</u>	41,471
Total	<u><u>1,620,728</u></u>	<u><u>1,875,464</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**9. INVESTMENT IN ASSOCIATES**

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

a) 48.46% (2023: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets.

Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2024 the total assets, liabilities and shareholders' equity amounted to SAR 1,825 million (September 30, 2023: SAR 1,699 million), SAR 1,107 million (September 30, 2023: SAR 1,014 million) and SAR 718 million (September 30, 2023: SAR 685 million) respectively.

b) 19.9% (2023: 19.9%) direct share ownership, and Board representation in Liva Insurance Company (formerly Al-Alamiya for Cooperative Insurance Company) incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

**10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET**

SAR' 000	Land and buildings	Right of use assets*	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
<b>Cost</b>						
Balance as at January 1, 2023	1,668,054	983,393	1,198,282	699,032	4,241,738	8,790,499
Additions/ re-measurement	1,543,524	199,531	256,695	112,076	834,963	2,946,789
Disposals	(17,584)	(148,937)	(11,682)	(2,684)	(9,375)	(190,262)
<b>Balance as at December 31, 2023</b>	<b>3,193,994</b>	<b>1,033,987</b>	<b>1,443,295</b>	<b>808,424</b>	<b>5,067,326</b>	<b>11,547,026</b>
Additions/ re-measurement	105,768	122,004	296,636	111,308	1,136,596	1,772,312
Disposals	(3,452)	(195,198)	(842)	(5,061)	(3,515)	(208,068)
<b>Balance at December 31, 2024</b>	<b>3,296,310</b>	<b>960,793</b>	<b>1,739,089</b>	<b>914,671</b>	<b>6,200,407</b>	<b>13,111,270</b>
<b>Accumulated depreciation and amortisation</b>						
Balance as at January 1, 2023	630,460	440,278	984,998	523,717	2,902,391	5,481,844
Charge for the year	10,994	197,497	63,744	49,365	373,756	695,356
Disposals	(3,355)	(89,888)	(52)	(2,610)	(1,516)	(97,421)
<b>Balance as at December 31, 2023</b>	<b>638,099</b>	<b>547,887</b>	<b>1,048,690</b>	<b>570,472</b>	<b>3,274,631</b>	<b>6,079,779</b>
Charge for the year	15,630	181,928	90,636	64,132	331,253	683,579
Disposals	-	(162,110)	(842)	(2,940)	(3,325)	(169,217)
<b>Balance at December 31, 2024</b>	<b>653,729</b>	<b>567,705</b>	<b>1,138,484</b>	<b>631,664</b>	<b>3,602,559</b>	<b>6,594,141</b>
<b>Net book value</b>						
As at January 1, 2023	1,037,594	543,115	213,284	175,315	1,339,347	3,308,655
As at December 31, 2023	2,555,895	486,100	394,605	237,952	1,792,695	5,467,247
<b>As at December 31, 2024</b>	<b>2,642,581</b>	<b>393,088</b>	<b>600,605</b>	<b>283,007</b>	<b>2,597,848</b>	<b>6,517,129</b>

Land and buildings include work in progress amounting to SAR 1,642 million as at December 31, 2024 (2023: SAR 1,489 million) and mainly pertains to the Bank's new office tower at King Abdullah Financial District, Riyadh, KSA.

Computer hardware, software programs, automation projects and motor vehicles include work in progress amounting to SAR 920 million as at December 31, 2024 (2023: SAR 374 million).

Improvements and decoration of premises include work in progress amounting to SAR 267 million as at December 31, 2024 (2023: SAR 133 million), respectively.

\*Comprises land and buildings and disposals include canceled or closed lease contracts.

The interest expense on lease liabilities during 2024 amounted to SAR 16.8 million (2023: SAR 17.9 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**11. OTHER ASSETS**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Accounts receivable	<u>2,053,343</u>	1,124,398
Others	<u>150,740</u>	1,422,722
<b>Total</b>	<b><u>2,204,083</u></b>	<b>2,547,120</b>

Accounts receivable mainly include accrued fee and income

Others mainly include prepayments and sundry debtors, settlement accounts and items in transit, which are cleared in the normal course of business.

**12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Current accounts	<u>1,073,910</u>	2,125,426
Money market deposits	<u>42,875,110</u>	40,338,600
<b>Total</b>	<b><u>43,949,020</u></b>	<b>42,464,026</b>

Money market deposits include deposits against sales of fixed rate bonds of SAR 14,665 million (2023: SAR 11,838 million) with agreement to repurchase the same at fixed future dates (note 20 d)). The profit free deposits from SAMA as under various COVID-19 support programs amount to SAR 4.3 billion (2023: SAR 11.2 billion) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 2,786 million (2023: SAR 1,102 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**13. CUSTOMER DEPOSITS**

	<b>2024</b> <b>SAR'000</b>	2023 <b>SAR'000</b>
Demand	<b>153,052,165</b>	119,606,683
Saving	1,305,481	1,400,147
Time	138,269,399	114,092,253
Others	13,796,346	19,808,541
<b>Total</b>	<b>306,423,391</b>	<b>254,907,624</b>

Time deposits include non-conventional banking deposits of SAR 53,005 million (2023: SAR 38,516 million). Demand deposits also include non-conventional call deposits of SAR 15,334 million (2023: SAR 2,858 million). The special commission expense on the above non-conventional deposits for 2024 amounted to SAR 2,803 million (2023: SAR 1,823 million). Other customers' deposits include SAR 5,031 million (2023: SAR 4,488 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	<b>2024</b> <b>SAR'000</b>	2023 <b>SAR'000</b>
Demand	15,296,091	3,931,049
Saving	15,477	18,359
Time	25,105,484	26,233,946
Other	336,877	560,349
<b>Total</b>	<b>40,753,929</b>	<b>30,743,703</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 14. DEBT SECURITIES IN ISSUE, TERM LOAN AND TIER 1 SUKUK

#### a) DEBT SECURITIES IN ISSUE AND TERM LOAN

In Q3 2023, in order to support business growth and diversify its funding base, the Bank raised an unsecured USD-denominated syndicated term loan of USD 1,200 million (SAR 4.5 bn), at floating SOFR + margin of 85 bps (all in) for a period of 3 years.

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible Sukuk amounting to SAR 3 billion. The Sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

During February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum and are callable after 5 years, subject to the terms and conditions of the agreement.

#### b) TIER 1 SUKUK

During September 2024, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, amounting to USD 750 million (SAR 2.8 billion). The issue proceeds were received on 3 October 2024 and are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity.

During October 2022, the Bank successfully, by way of a private placement in the Kingdom of Saudi Arabia, issued through a Shariah compliant arrangement, SAR denominated additional tier 1 sukuk, amounting to SAR 3.75 billion. These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement. The applicable profit rate on the Sukuks is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions. The offering of the sukuk started on 8 September 2022 and was completed on 5 October 2022.

During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity.

The table below sets out movement in Debt securities in issue, term loan and Tier 1 Sukuk:

	Debt Securities in issue and Term Loan		Tier 1 Sukuk	
	2024	2023	2024	2023
	SAR'000	SAR'000	SAR'000	SAR'000
Opening balance	13,372,622	8,758,419	6,562,500	6,571,125
Cash flow items				
- Term loan	-	4,600,353	-	-
- Issuance	-	-	2,823,600	-
- Other movements	(48,169)	13,850	-	(8,625)
<b>Closing balance</b>	<b>13,324,453</b>	<b>13,372,622</b>	<b>9,386,100</b>	<b>6,562,500</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2024 and 2023**

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**15. OTHER LIABILITIES**

	<u>2024</u> <u>SAR'000</u>	<u>2023</u> <u>SAR'000</u>
Accounts payable	634,393	865,991
Others*	<u>12,939,845</u>	11,552,020
Total	<u>13,574,238</u>	12,418,011

\* Mainly include the below

	<u>2024</u> <u>SAR'000</u>	<u>2023</u> <u>SAR'000</u>
Provision for zakat	1,159,310	1,053,336
End of service benefits	890,756	998,003
Lease liability	367,949	451,184
Deferred fair value gain on Government Grant	14,151	62,179
Loss allowance for credit related commitments and contingencies	550,253	206,180
Write-off reserves	<u>173,471</u>	547,094

\*Other product related insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business.

**16. SHARE CAPITAL**

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2023: 3,000 million shares of SAR 10 each).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**17. TREASURY SHARES**

The Extraordinary General Assembly Meeting on 26 March 2023, approved the Employee Stock Incentive Plan for which 5 million shares were to be purchased as treasury shares for the purpose of allocating them to the Employee Stock Incentive Plan. The Bank has completed the above purchases during 2023 and as at 31 December 2024, the total treasury shares held by the Group were 4,972,566 shares.

**18. STATUTORY RESERVE**

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 2,330 million has been transferred from 2024 net income (2023: SAR 2,011 million). The statutory reserve is not currently available for distribution.

**19. OTHER RESERVES**

<u>2024</u> <u>(SAR 000s)</u>	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Employee share plan reserve	Total
<b>Balance at beginning of the year</b>	114,859	(60,961)	(1,158,522)	735,421	-	(369,203)
<b>Net change in fair value</b>	(68,820)	-	348,055	(14,474)	14,105	278,866
<b>Net amounts relating to FVOCI-debt taken to consolidated statement of income</b>	-	-	(16,802)	-	-	(16,802)
<b>Net ECL movement during the year</b>	-	-	10,987	-	-	10,987
<b>Actuarial gains</b>	-	173,368	-	-	-	173,368
<b>Balance at end of the year</b>	<u>46,039</u>	<u>112,407</u>	<u>(816,282)</u>	<u>720,947</u>	<u>14,105</u>	<u>77,216</u>

<u>2023</u> <u>(SAR 000s)</u>	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Employee share plan reserve	Total
<b>Balance at beginning of the year</b>	127,977	66,750	(1,512,524)	527,537	-	(790,260)
<b>Net change in fair value</b>	(13,118)	-	211,552	207,884	-	406,318
<b>Net amounts relating to FVOCI-debt investments taken to consolidated statement of income</b>	-	-	43,630	-	-	43,630
<b>Net ECL movement during the year</b>	-	-	98,820	-	-	98,820
<b>Actuarial losses</b>	-	(127,711)	-	-	-	(127,711)
<b>Balance at end of the year</b>	<u>114,859</u>	<u>(60,961)</u>	<u>(1,158,522)</u>	<u>735,421</u>	<u>-</u>	<u>(369,203)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 20. COMMITMENTS AND CONTINGENCIES

#### a) Legal proceedings

As at December 31, 2024, there were legal proceedings of a routine nature outstanding against the Group. No significant provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

#### b) Capital commitments

As at December 31, 2024 the Bank had capital commitments of SAR 2,283 million (2023: SAR 2,339 million). This includes office building, computer hardware, software, automation projects, construction and equipment purchases.

#### c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

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

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**20. COMMITMENTS AND CONTINGENCIES (continued)**
**c) Credit related commitments and contingencies (continued)**

i) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2024 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	7,402,055	2,646,223	28,803	-	10,077,081
Letters of guarantee *	24,644,491	42,833,826	52,428,830	1,452,050	121,359,197
Acceptances	3,117,640	2,002,357	19,593	-	5,139,590
Irrevocable commitments to extend credit	3,411,133	2,815,252	12,060,155	24,830,007	43,116,547
<b>Total</b>	<b>38,575,319</b>	<b>50,297,658</b>	<b>64,537,381</b>	<b>26,282,057</b>	<b>179,692,415</b>

  

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	5,172,900	2,921,279	128,877	-	8,223,056
Letters of guarantee *	18,201,892	38,818,388	33,459,991	1,174,574	91,654,845
Acceptances	3,187,008	2,338,088	28,595	-	5,553,691
Irrevocable commitments to extend credit	2,532,247	1,987,761	9,079,180	10,607,090	24,206,278
<b>Total</b>	<b>29,094,047</b>	<b>46,065,516</b>	<b>42,696,643</b>	<b>11,781,664</b>	<b>129,637,870</b>

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

The outstanding unused portion of non-firm commitments as at December 31, 2024 which can be revoked unilaterally at any time by the Group, amounts to SAR 125,513 million (2023: SAR 160,263 million).

**ii) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:**

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	50,764	9,992	145,424	206,180
Transfer from Stage 2 & Stage 3 to Stage 1	1,456	(1,456)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(273)	291	(18)	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(36)	36	-
Other movements	8,687	1,485	371,062	381,234
Transfer to write-off reserves	-	-	(37,161)	(37,161)
<b>Balance as at December 31, 2024</b>	<b>60,634</b>	<b>10,276</b>	<b>479,343</b>	<b>550,253</b>

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2023	24,463	17,364	165,117	206,944
Transfer from Stage 2 & Stage 3 to Stage 1	3,324	(3,324)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,060)	2,356	(296)	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(9)	9	-
Other movements	25,037	(6,395)	26,865	45,507
Transfer to write-off reserves	-	-	(46,271)	(46,271)
<b>Balance as at December 31, 2023</b>	<b>50,764</b>	<b>9,992</b>	<b>145,424</b>	<b>206,180</b>

As at December 31, 2024, the balance in the write-off reserves amounted to SAR 173 million (December 31, 2023: SAR 547 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**20. COMMITMENTS AND CONTINGENCIES (continued)**
**c) Credit related commitments and contingencies (continued)**

iii) The analysis of commitments and contingencies by counterparty is as follows:

	2024	2023
	<u>SAR'000</u>	<u>SAR'000</u>
Government and quasi government	9,429,928	125,000
Corporate	152,215,851	108,019,110
Banks and other financial institutions	18,046,636	21,493,760
<b>Total</b>	<b>179,692,415</b>	<b>129,637,870</b>

**d) Assets pledged**

Assets pledged as collateral with other banks are as follows:

	2024		2023	
	Assets	Related liabilities	Assets	Related liabilities
	<u>SAR million</u>	<u>SAR million</u>	<u>SAR million</u>	<u>SAR million</u>
Investments held at amortised cost and FVOCI (note 7 e) and 12	14,096	14,665	12,678	11,838

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**21. SPECIAL COMMISSION INCOME AND EXPENSE**

	2024	2023
	<u>SAR'000</u>	<u>SAR'000</u>
<b>Special commission income on:</b>		
Investments	- FVOCI	922,467
	- Amortised cost	1,379,594
	<u>2,553,908</u>	<u>2,302,061</u>
Due from banks and other financial institutions	1,314,869	1,245,760
Loans and advances	<u>20,313,349</u>	<u>17,058,294</u>
<b>Total</b>	<b><u>24,182,126</u></b>	<b><u>20,606,115</u></b>
	2024	2023
	<u>SAR'000</u>	<u>SAR'000</u>
<b>Special commission expense on:</b>		
Due to banks and other financial institutions	2,022,280	1,095,646
Customer deposits	8,599,538	6,577,064
Debt securities in issue and term loan	687,041	519,127
<b>Total</b>	<b><u>11,308,859</u></b>	<b><u>8,191,837</u></b>

**22. FEE AND COMMISSION INCOME, NET**

	2024	2023
	<u>SAR'000</u>	<u>SAR'000</u>
<b>Fee and commission income on:</b>		
- Share brokerage and fund management	657,472	613,369
- Trade finance	931,976	789,933
- Credit facilities and advisory	1,301,274	1,007,781
- Card products	1,258,296	1,056,196
- Other banking services	390,474	263,517
<b>Total fee and commission income</b>	<b><u>4,539,492</u></b>	<b><u>3,730,796</u></b>
<b>Fee and commission expense on:</b>		
- Card products	1,146,106	961,219
- Share brokerage	104,484	76,236
- Other banking services	297,962	308,720
<b>Total fee and commission expense</b>	<b><u>1,548,552</u></b>	<b><u>1,346,175</u></b>
<b>Fee and commission income, net</b>	<b><u>2,990,940</u></b>	<b><u>2,384,621</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**23. TRADING INCOME, NET**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Derivatives	477,302	352,795
Investment at FVIS	52,118	67,149
<b>Total</b>	<b>529,420</b>	<b>419,944</b>

**24. GAINS/ (LOSSES) ON DISPOSAL OF NON-TRADING INVESTMENTS, NET**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
FVOCI	17,221	(43,630)
Amortised Cost	(419)	-
<b>Total</b>	<b>16,802</b>	<b>(43,630)</b>

**25. OTHER OPERATING INCOME**

Other operating income for year-ended December 31, 2024, mainly includes gain on disposals of property and equipment amounting to SAR 4.4 million (2023: SAR 2.4 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 15.2 million (2023: SAR 24.0 million).

**26. SALARIES AND EMPLOYEE-RELATED EXPENSES**

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2024 and 2023, and the forms of such payments.

Categories <u>SAR 000</u>	Number of employees		Fixed compensation		Variable compensation		Total compensation		
			Cash	Shares	2024	2023*			
	2024	2023	2024	2023	2024	2023*	2024	2023	
Senior executives requiring SAMA no objection	12	12	27,141	27,312	20,170	19,950	36,330	67,261	63,642
Employees engaged in risk taking activities	423	425	157,515	170,915	53,622	6,392	71,236	217,529	242,151
Employees engaged in control functions	308	328	115,199	108,472	27,371	2,447	26,783	145,017	135,255
Outsourced employees	1,501	1,626	147,813	107,201	-	-	-	147,813	107,201
Other employees	5,344	5,496	1,379,777	1,231,510	281,289	26,783	235,568	1,687,849	1,467,078
<b>Total</b>	<b>7,588</b>	<b>7,887</b>	<b>1,827,445</b>	<b>1,645,410</b>	<b>382,452</b>	<b>55,572</b>	<b>369,917</b>	<b>2,265,469</b>	<b>2,015,327</b>

Variable compensation accrued during the year and other employee related benefits\*\*

Total salaries and employee-related expenses as per consolidated statement of income

924,770

896,754

**2,752,215**

2,542,164

\* There were no variable compensation as shares during 2023

\*\*Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

The Group's compensation policy is based on the nature of the job, market practices and jobholder's level of involvement in risk taking and controlling activities. The policy applies to all employees, including the executive management team and aims to link individual performance to the Group's overall achievements and financial soundness and results. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are calculated based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 26. SALARIES AND EMPLOYEE-RELATED EXPENSES (continued)

The Board of Directors has the responsibility to approve and oversee the Group's compensation policies. The Board Nomination and Compensation Committee (NCC) is composed of five non-executive Directors (comprising of three Board Director members and two independent external members) and is charged with overseeing the compensation system design and its effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee (NCC) is accountable for reviewing and endorsing for Board of Directors approval for the Group's compensation policies as well as undertaking its periodic assessment and ensuring updating the policies to achieve the system objectives and reinforce the Group's risk management framework. Fixed compensation comprises of salaries, wages and fixed allowances. Variable compensation includes performance bonuses, and products' sales incentives. That's in addition to other benefits offered in line with prevailing and best practices as well as relevant regulations.

The Group has adopted fixed and variable compensation schemes. Where a substantial proportion of the variable remuneration for senior management team and material risk takers is converted to non-cash instruments, to which is deferred and vested as per SAMA remuneration rules, and is aligned with the jobholder's level of responsibility, Group and individual performance, business unit in which they work, and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against industry norms, international best practice, relevant rules and regulations, and makes necessary revisions as deemed appropriate to achieve an orderly and effective compensation policy.

#### Share Based Bonus Payments

Riyad Bank has a Share Based Equity Settled Bonus Payment Plan outstanding at the yearend whereby, as per the terms of the Plan, eligible employees of the Bank are offered shares at a predetermined price. The Bank delivers the underlying allotted shares to the employees at the vesting dates specified by the Plan determined under the terms of the plan , provided that the vesting conditions are satisfactorily completed. The cost of the Plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares (also known as "the vesting date"). The cumulative expense recognized for the Plan at each reporting date until the vesting date shows how much the vesting period has expired and the Bank's best estimates of the number of equity shares that will ultimately vest to the eligible employees.

The Bank has currently one Share Based Equity Plan introduced during the year 2024 under which the grant for the Bonus Deferral Program was made with a vesting period of three years from the grant date. Total number of shares granted were 1,889,690. at weighted average price of SAR 29.41 per share with a total value of SAR 55.58 million and the outstanding shares in grant at December 31, 2024 were 1,652,720.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2024 and 2023**

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**27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2024</b>	2023
	<b>SAR'000</b>	<b>SAR'000</b>
Communication, cash shipment and insurance	374,930	360,247
Rental and repair and maintenance	422,950	427,122
Publication, advertisement and stationary	120,022	104,894
Miscellaneous Exp.	528,486	489,174
Consultancy, audit and professional services	144,749	82,081
<b>Total</b>	<b>1,591,137</b>	<b>1,463,518</b>

Consultancy, audit and professional services above comprises the below:

	<b>2024</b>	2023
	<b>SAR'000</b>	<b>SAR'000</b>
Fee for audit and reviews	7,879	7,119
Other services	546	1,238
	<b>8,425</b>	<b>8,357</b>

**28. EARNINGS PER SHARE**

Basic and diluted earnings per share for the year ended December 31, 2024 are calculated on a weighted average basis by dividing the net income adjusted for Tier 1 sukuk costs for the year, by 2,995 million shares (2023 : 2,997 million shares), after excluding treasury shares.

**29. DIVIDENDS**

During August 2024, interim dividends of SAR 2,396 million at SAR 0.80 per share (2023: SAR 1,947 million at SAR 0.65 per share) were declared by the Bank and the distribution date for the dividend was 22 August 2024. Final dividends of SAR 2,246 million at SAR 0.75 per share (2022: SAR 1,950 million at SAR 0.65 per share), proposed for 2023, were approved by the Extraordinary General Assembly meeting on 24 March 2024 and the distribution date for the dividend was 2 April 2024.

**30. ZAKAT**

The Bank has estimated provision for zakat liability for the year ended December 31, 2024 at SAR 1,075 million (December 31, 2023: SAR 925 million).

The zakat paid during year-ended December 31, 2024 amounted to SAR 932 million (December 31, 2023: SAR 1,282 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**31. DEFINED BENEFIT PLAN**
**a) General description**

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

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

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Defined benefit obligation at the beginning of the year	<u>998,003</u>	827,231
Current service cost	<u>99,840</u>	79,521
Interest cost	<u>55,405</u>	44,254
Benefits paid	<u>(89,124)</u>	(80,714)
Actuarial (gains) losses recognised in other comprehensive income	<u>(173,368)</u>	127,711
Defined benefit obligation at the end of the year	<u><b>890,756</b></u>	<u><b>998,003</b></u>

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

**c) Charge for the year**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Current service cost	<u>99,840</u>	79,521
Interest on defined benefit obligations	<u>55,405</u>	44,254
	<u><b>155,245</b></u>	<u><b>123,775</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**31. DEFINED BENEFIT PLAN (continued)**
**d) Re-measurement recognised in Other comprehensive income**

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
(Gains) losses from change in experience assumptions	(162,124)	7,269
(Gains) losses due to change in demographic assumptions	(981)	149
(Gains) losses from change in financial assumptions	(10,263)	120,293
	<b>(173,368)</b>	<b>127,711</b>

**e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2024 and 2023 are as follows:**

	2024	2023
Discount rate per annum	5.7%	5.5%
Expected rate of salary increase per annum	3.7%	6.0%
Normal retirement age	60	60

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

**f) Sensitivity of actuarial assumptions**

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2024 and 2023 to the discount rate of 5.7% (2023: 5.5%) and salary escalation rate 4% (2023: 6.0%).

	Impact on defined benefit obligation increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
<b>2024</b>		<u>SAR'000</u>	<u>SAR'000</u>
Discount rate	0.50%	(27,027)	33,145
Expected rate of salary increase	0.50%	33,582	(27,692)
<b>2023</b>		<u>SAR'000</u>	<u>SAR'000</u>
Discount rate	0.50%	(36,671)	39,161
Expected rate of salary increase	0.50%	38,167	(36,095)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions are correlated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 32. CASH AND CASH EQUIVALENTS

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

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
Cash and balances with SAMA excluding statutory deposit (note 4)	6,972,605	12,856,855
Due from banks and other financial institutions maturing within three months from the date of acquisition	<u>22,574,084</u>	15,433,725
<b>Total</b>	<b><u>29,546,689</u></b>	<b>28,290,580</b>

### 33. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

#### Retail banking

Deposits, credit and investment products for individuals.

#### Investment banking and brokerage

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

#### Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and includes small to medium sized businesses

#### Treasury and investments

Principally providing money market, trading and treasury services, derivative products as well as the management of the Group's investment portfolios.

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For the years ended December 31, 2024 and 2023

**33. OPERATING SEGMENTS (continued)**

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2024 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
<b>Total assets</b>	<b>112,884,392</b>	<b>3,821,922</b>	<b>230,141,078</b>	<b>103,531,402</b>	<b>450,378,794</b>
<b>Total liabilities</b>	<b>117,907,149</b>	<b>763,656</b>	<b>209,282,464</b>	<b>54,483,426</b>	<b>382,436,695</b>
<b>Operating income from external customers</b>	<b>3,989,105</b>	<b>906,299</b>	<b>9,791,404</b>	<b>2,597,723</b>	<b>17,284,531</b>
<b>Inter segment income (expenses)</b>	<b>849,970</b>	<b>80,895</b>	<b>(670,687)</b>	<b>(260,178)</b>	<b>-</b>
<b>Total operating income, net including</b>	<b>4,839,075</b>	<b>987,194</b>	<b>9,120,717</b>	<b>2,337,545</b>	<b>17,284,531</b>
- Net special commission income	4,578,959	359,750	6,985,287	949,271	12,873,267
- Fee and commission income, net	316,531	589,566	2,049,535	35,308	2,990,940
<b>Total operating expenses, net including</b>	<b>3,823,146</b>	<b>326,149</b>	<b>2,479,256</b>	<b>289,396</b>	<b>6,917,947</b>
- Depreciation of property, equipment and right of use assets	470,211	31,455	156,230	25,683	683,579
- Impairment charge(reversal) for credit losses and other financial assets, net	751,633	-	869,328	(233)	1,620,728
- Impairment charge for investments, net	-	-	-	11,618	11,618
Share in income of associates, net	-	-	-	30,354	30,354
<b>Income before zakat</b>	<b>1,015,929</b>	<b>661,045</b>	<b>6,641,461</b>	<b>2,078,503</b>	<b>10,396,938</b>

2023 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
<b>Total assets</b>	<b>111,663,519</b>	<b>3,532,480</b>	<b>181,596,875</b>	<b>90,056,055</b>	<b>386,848,929</b>
<b>Total liabilities</b>	<b>111,206,090</b>	<b>443,302</b>	<b>172,278,130</b>	<b>42,663,336</b>	<b>326,590,858</b>
<b>Operating income from external customers</b>	<b>3,893,859</b>	<b>693,903</b>	<b>8,232,738</b>	<b>3,078,338</b>	<b>15,898,838</b>
<b>Inter segment income (expenses)</b>	<b>193,139</b>	<b>211,985</b>	<b>192,312</b>	<b>(597,436)</b>	<b>-</b>
<b>Total operating income, net including</b>	<b>4,086,998</b>	<b>905,888</b>	<b>8,425,050</b>	<b>2,480,902</b>	<b>15,898,838</b>
- Net special commission income	3,982,005	278,454	6,670,586	1,483,233	12,414,278
- Fee and commission income, net	156,992	551,663	1,659,434	16,532	2,384,621
<b>Total operating expenses, net including</b>	<b>3,471,965</b>	<b>306,384</b>	<b>2,856,495</b>	<b>305,468</b>	<b>6,940,312</b>
- Depreciation of property, equipment and right of use assets	481,370	36,369	150,022	27,595	695,356
- Impairment charge for credit losses and other financial assets, net	393,773	-	1,480,797	894	1,875,464
- Impairment charge for investments, net	-	-	-	96,224	96,224
Share in income of associates, net	-	-	-	12,273	12,273
<b>Income before zakat</b>	<b>615,033</b>	<b>599,504</b>	<b>5,568,555</b>	<b>2,187,707</b>	<b>8,970,799</b>

b) The Group's credit exposure by operating segment is as follows:

2024 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
<b>Consolidated statement of financial position assets</b>	<b>107,532,423</b>	<b>2,193,772</b>	<b>228,559,758</b>	<b>102,874,974</b>	<b>441,160,927</b>
<b>Commitments and contingencies</b>	-	-	<b>147,876,444</b>	-	<b>147,876,444</b>
<b>Derivatives</b>	-	-	-	<b>24,767,730</b>	<b>24,767,730</b>

2023 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
<b>Consolidated statement of financial position assets</b>	<b>107,056,008</b>	<b>2,025,443</b>	<b>180,308,951</b>	<b>89,310,092</b>	<b>378,700,494</b>
<b>Commitments and contingencies</b>	-	-	<b>73,845,472</b>	-	<b>73,845,472</b>
<b>Derivatives</b>	-	-	-	<b>13,174,537</b>	<b>13,174,537</b>

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property, equipment and right of use assets, net and other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

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For the years ended December 31, 2024 and 2023

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### 34. FINANCIAL RISK MANAGEMENT

#### 34.1 CREDIT RISK

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by deploying various credit risk management techniques and processes, such as, application Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 34.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 e). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 20. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 33.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 39.

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**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.2 GEOGRAPHICAL CONCENTRATION**

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

2024 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
<b>Assets</b>								
Cash and balances with SAMA	22,599,966	-	7	-	-	-	-	22,599,973
Cash in hand	1,887,893	-	7	-	-	-	-	1,887,900
Balances with SAMA	20,712,073	-	-	-	-	-	-	20,712,073
Due from banks and other financial institutions	13,258,785	872,036	536,215	5,556,317	-	71,233	2,279,498	22,574,084
Current accounts	628,411	167,036	273,197	5,556,317	-	71,233	4,245	6,700,439
Money market placements	12,630,374	705,000	263,018	-	-	-	2,275,253	15,873,645
Positive fair value of derivatives	1,744,890	18,592	3,805,470	-	-	-	-	5,568,952
Investments, net	48,971,263	1,487,171	14,930,138	4,246,037	29,422	4,932	-	69,668,963
FVIS	4,492,580	-	-	-	-	-	-	4,492,580
FVOCI	432,952	1,381,365	14,930,138	4,246,037	29,422	4,932	-	21,024,846
Amortised cost	44,045,731	105,806	-	-	-	-	-	44,151,537
Investment in associates	402,419	-	-	-	-	-	-	402,419
Loans and advances, net	307,282,780	5,811,250	5,225,867	1,227,592	405,147	81,710	55,145	320,089,491
Overdraft	5,681,008	-	-	-	-	-	-	5,681,008
Credit cards	1,715,251	-	-	-	-	-	-	1,715,251
Consumer loans	94,234,793	-	-	-	-	-	-	94,234,793
Commercial loans	203,015,913	5,811,250	5,225,867	1,227,592	405,147	81,710	55,145	215,822,624
Others	2,635,815	-	-	-	-	-	-	2,635,815
Other assets	2,204,083	-	-	-	-	-	-	2,204,083
Accounts receivable and others	2,204,083	-	-	-	-	-	-	2,204,083
<b>Total</b>	<b>396,464,186</b>	<b>8,189,049</b>	<b>24,497,697</b>	<b>11,029,946</b>	<b>434,569</b>	<b>157,875</b>	<b>2,334,643</b>	<b>443,107,965</b>
<b>Liabilities</b>								
Due to banks and other financial institutions	14,440,193	8,421,661	17,514,871	38,065	-	3,384,555	149,675	43,949,020
Current accounts	2,911	272,367	589,229	38,065	-	21,663	149,675	1,073,910
Money market deposits	14,437,282	8,149,294	16,925,642	-	-	3,362,892	-	42,875,110
Negative fair value of derivatives	2,288,787	142,753	2,481,431	252,622	-	-	-	5,165,593
Customer deposits	303,410,697	-	3,012,694	-	-	-	-	306,423,391
Demand	152,784,499	-	267,666	-	-	-	-	153,052,165
Saving	1,305,481	-	-	-	-	-	-	1,305,481
Time	135,524,371	-	2,745,028	-	-	-	-	138,269,399
Other	13,796,346	-	-	-	-	-	-	13,796,346
Debt securities in issue and term loan	4,542,580	340,751	7,452,686	276,600	-	673,455	38,381	13,324,453
Other liabilities	13,522,201	-	25,243	26,713	-	81	-	13,574,238
Accounts payable and others	13,522,201	-	25,243	26,713	-	81	-	13,574,238
<b>Total</b>	<b>338,204,458</b>	<b>8,905,165</b>	<b>30,486,925</b>	<b>594,000</b>	<b>-</b>	<b>4,058,091</b>	<b>188,056</b>	<b>382,436,695</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.2 GEOGRAPHICAL CONCENTRATION (continued)**

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

2024 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
<b>Commitments and contingencies</b>								
Letters of credit	10,077,081	-	13,170,477	13,033,185	-	10,166,592	1,598,236	179,692,415
Letters of guarantee	87,322,897	705,304	13,134,406	8,434,849	-	10,166,592	1,595,149	121,359,197
Acceptances	5,132,629	3,874	-	-	-	-	3,087	5,139,590
Irrevocable commitments to extend credit	38,009,384	472,756	36,071	4,598,336	-	-	-	43,116,547
<b>Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)</b>								
Derivatives	10,517,888	174,996	14,074,846	-	-	-	-	24,767,730
Held for trading	10,517,888	174,996	13,886,668	-	-	-	-	24,579,552
Held as fair value hedges	-	-	119,428	-	-	-	-	119,428
Held as cash flow hedges	-	-	68,750	-	-	-	-	68,750
Commitments and contingencies	111,790,318	898,280	13,148,834	10,274,184	-	10,166,592	1,598,236	147,876,444
Letters of credit	4,131,040	-	-	-	-	-	-	4,131,040
Letters of guarantee	87,322,896	705,304	13,134,406	8,434,849	-	10,166,592	1,595,149	121,359,196
Acceptances	5,132,629	3,874	-	-	-	-	3,087	5,139,590
Irrevocable commitments to extend credit	15,203,753	189,102	14,428	1,839,335	-	-	-	17,246,618
2023 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
<b>Assets</b>								
Cash and balances with SAMA	26,175,219	-	7	-	-	-	-	26,175,226
Cash in hand	3,450,441	-	7	-	-	-	-	3,450,448
Balances with SAMA	22,724,778	-	-	-	-	-	-	22,724,778
Due from banks and other financial institutions	7,824,426	531,222	1,223,621	5,348,631	-	38,887	466,938	15,433,725
Current accounts	1,491,778	6,065	8,616	4,931,277	-	20,199	1,614	6,459,549
Money market placements	6,332,648	525,157	1,215,005	417,354	-	18,688	465,324	8,974,176
Positive fair value of derivatives	1,392,598	13,052	2,262,480	-	-	-	-	3,668,130
Investments, net	37,400,463	1,554,114	4,267,860	10,256,758	999,091	546,447	3,084,091	58,108,824
FVIS	2,322,845	-	-	-	-	-	-	2,322,845
FVOCI	563,340	1,450,188	4,267,860	10,256,758	999,091	546,447	3,084,091	21,167,775
Amortised cost	34,514,278	103,926	-	-	-	-	-	34,618,204
Investment in associates	379,941	-	-	-	-	-	-	379,941
Loans and advances, net	262,795,045	6,871,806	4,292,087	18,222	333,236	61,499	26,351	274,398,246
Overdraft	5,628,450	-	-	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	-	-	1,465,172
Consumer loans	93,959,270	-	-	-	-	-	-	93,959,270
Commercial loans	159,968,903	6,871,806	4,292,087	18,222	333,236	61,499	26,351	171,572,104
Others	1,773,250	-	-	-	-	-	-	1,773,250
Other assets	2,547,120	-	-	-	-	-	-	2,547,120
Accounts receivable and others	2,547,120	-	-	-	-	-	-	2,547,120
<b>Total</b>	<b>338,514,812</b>	<b>8,970,194</b>	<b>12,046,055</b>	<b>15,623,611</b>	<b>1,332,327</b>	<b>646,833</b>	<b>3,577,380</b>	<b>380,711,212</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.2 GEOGRAPHICAL CONCENTRATION (continued)**

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

2023 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle	Europe	North America	Latin America	South East Asia	Other countries	Total
<b>Liabilities</b>								
Due to banks and other financial institutions	21,551,320	8,020,987	11,835,073	493,178	-	19,692	543,776	42,464,026
Current accounts	492	349,871	1,203,325	31,698	-	19,692	520,348	2,125,426
Money market deposits	21,550,828	7,671,116	10,631,748	461,480	-	-	23,428	40,338,600
Negative fair value of derivatives	1,338,400	140,489	1,735,286	214,400				3,428,575
Customer deposits	254,320,752	-	586,872	-	-	-	-	254,907,624
Demand	119,537,833	-	68,850	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	-	-	1,400,147
Time	113,574,231	-	518,022	-	-	-	-	114,092,253
Other	19,808,541	-	-	-	-	-	-	19,808,541
Debt securities in issue	6,148,161	341,351	5,905,095	301,462	-	675,615	938	13,372,622
Other liabilities	12,362,700	-	28,870	26,274	-	167	-	12,418,011
Accounts payable and others	12,362,700	-	28,870	26,274	-	167	-	12,418,011
<b>Total</b>	<b>295,721,333</b>	<b>8,502,827</b>	<b>20,091,196</b>	<b>1,035,314</b>	<b>-</b>	<b>695,474</b>	<b>544,714</b>	<b>326,590,858</b>
<b>Commitments and contingencies</b>								
Letters of credit	8,205,631	3,377	-	-	-	14,048	-	8,223,056
Letters of guarantee	65,558,284	530,102	8,354,745	9,470,760	-	7,730,655	10,299	91,654,845
Acceptances	5,546,334	4,936	-	-	-	-	2,421	5,553,691
Irrevocable commitments to extend credit	19,501,402	575,078	36,000	4,093,798	-	-	-	24,206,278
<b>Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)</b>								
<b>Derivatives</b>	<b>5,638,941</b>	<b>190,416</b>	<b>7,345,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,174,537</b>
Held for trading	5,638,941	190,416	7,157,237	-	-	-	-	12,986,594
Held as fair value hedges	-	-	119,193	-	-	-	-	119,193
Held as cash flow hedges	-	-	68,750	-	-	-	-	68,750
<b>Commitments and contingencies</b>	<b>56,222,471</b>	<b>555,808</b>	<b>5,049,211</b>	<b>7,344,873</b>	<b>-</b>	<b>4,664,482</b>	<b>8,627</b>	<b>73,845,472</b>
Letters of credit	3,368,256	1,386	-	-	-	5,766	-	3,375,408
Letters of guarantee	39,507,320	319,455	5,034,811	5,707,354	-	4,658,716	6,206	55,233,862
Acceptances	5,546,334	4,936	-	-	-	-	2,421	5,553,691
Irrevocable commitments to extend credit	7,800,561	230,031	14,400	1,637,519	-	-	-	9,682,511

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.2 GEOGRAPHICAL CONCENTRATION (continued)**

- b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2024	2023	2024	2023
	SAR'000	SAR'000	SAR'000	SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	1,916,234	2,223,346	(711,463)	(870,006)
Consumer Loans**	1,257,290	1,240,472	(767,261)	(728,154)
Other GCC and Middle East				
Commercial Loans*	-	-	-	-
<b>Total</b>	<b>3,173,524</b>	<b>3,463,818</b>	<b>(1,478,724)</b>	<b>(1,598,160)</b>

\*Includes overdrafts and other loans

\*\* includes consumer mortgage loans and credit cards

**34.3 CREDIT QUALITY ANALYSIS**

- a) The following table sets out information about the credit quality of financial assets as at December 31, 2024 and 2023. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

## i) Balances with SAMA and due from bank and other financial institutions

2024 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	43,185,025	-	-	43,185,025
Non-investment grade (credit rating of below 'BBB' )	102,212	-	-	102,212
<b>Carrying amount</b>	<b>43,287,237</b>	<b>-</b>	<b>-</b>	<b>43,287,237</b>

2023 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	38,055,633	-	-	38,055,633
Non-investment grade (credit rating of below 'BBB' )	104,355	-	-	104,355
<b>Carrying amount</b>	<b>38,159,988</b>	<b>-</b>	<b>-</b>	<b>38,159,988</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**

The following table sets out information about the credit quality of financial assets as at December 31, 2024 and 2023. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

**ii) Loans and advances, gross at amortized cost**

2024 SAR'000	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
	307,845,048	6,613,207	75,091	314,533,346
Low – fair risk				
Watch list	-	6,909,039	775,130	7,684,169
Substandard	-	-	2,402,643	2,402,643
Doubtful	-	-	557,455	557,455
Loss	-	-	213,426	213,426
<b>Carrying amount</b>	<b>307,845,048</b>	<b>13,522,246</b>	<b>4,023,745</b>	<b>325,391,039</b>

2023 SAR'000	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
	258,856,541	7,821,309	221,180	266,899,030
Low – fair risk				
Watch list	-	8,310,050	647,667	8,957,717
Substandard	-	-	2,383,578	2,383,578
Doubtful	-	-	665,013	665,013
Loss	-	-	415,227	415,227
<b>Carrying amount</b>	<b>258,856,541</b>	<b>16,131,359</b>	<b>4,332,665</b>	<b>279,320,565</b>

**ii) ( a) Credit cards, gross**

2024 SAR'000	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
	1,613,567	39,687	-	1,653,254
Low – fair risk				
Watch list	-	73,355	-	73,355
Substandard	-	-	60,748	60,748
Doubtful	-	-	12,511	12,511
Loss	-	-	-	-
<b>Carrying amount</b>	<b>1,613,567</b>	<b>113,042</b>	<b>73,259</b>	<b>1,799,868</b>

2023 SAR'000	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
	1,402,376	11,645	-	1,414,021
Low – fair risk				

Watch list	-	58,562	-	58,562
Substandard	-	-	36,353	36,353
Doubtful	-	-	9,848	9,848
Loss	-	-	-	-
<b>Carrying amount</b>	<b>1,402,376</b>	<b>70,207</b>	<b>46,201</b>	<b>1,518,784</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**

The following table sets out information about the credit quality of financial assets as at December 31, 2024 and 2023.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

**ii) ( b) Consumer loans, gross\***

	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
<b>2024</b> SAR'000				
Low – fair risk	92,502,310	820,061	-	93,322,371
Watch list	-	1,154,271	-	1,154,271
Substandard	-	-	644,593	644,593
Doubtful	-	-	376,611	376,611
Loss	-	-	162,827	162,827
<b>Carrying amount</b>	<b>92,502,310</b>	<b>1,974,332</b>	<b>1,184,031</b>	<b>95,660,673</b>
<b>2023</b> SAR'000				
Low – fair risk	92,390,637	388,112	-	92,778,749
Watch list	-	1,060,984	-	1,060,984
Substandard	-	-	661,367	661,367
Doubtful	-	-	359,867	359,867
Loss	-	-	173,037	173,037
<b>Carrying amount</b>	<b>92,390,637</b>	<b>1,449,096</b>	<b>1,194,271</b>	<b>95,034,004</b>

**ii) ( c) Commercial loans, gross\*\***

	<u>12 month ECL</u>	<u>Life time ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
<b>2024</b> SAR'000				
Low – fair risk ( Risk grade 1-17)	213,729,171	5,753,459	75,091	219,557,721
Watch list ( Risk grade 18-20)	-	5,681,413	775,130	6,456,543
Substandard ( Risk grade 21)	-	-	1,697,302	1,697,302
Doubtful ( Risk grade 22)	-	-	168,333	168,333
Loss ( Risk grade 23)	-	-	50,599	50,599
<b>Carrying amount</b>	<b>213,729,171</b>	<b>11,434,872</b>	<b>2,766,455</b>	<b>227,930,498</b>
<b>2023</b> SAR'000				
Low – fair risk ( Risk grade 1-17)	165,063,528	7,421,552	221,180	172,706,260
Watch list ( Risk grade 18-20)	-	7,190,504	647,667	7,838,171
Substandard ( Risk grade 21)	-	-	1,685,858	1,685,858
Doubtful ( Risk grade 22)	-	-	295,298	295,298
Loss ( Risk grade 23)	-	-	242,190	242,190
<b>Carrying amount</b>	<b>165,063,528</b>	<b>14,612,056</b>	<b>3,092,193</b>	<b>182,767,777</b>

\* Includes consumer mortgage loans

\*\* Includes overdrafts and other loans

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**

The following table sets out information about the credit quality of financial assets as at December 31, 2024 and 2023.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

**iii) (a) Debt investment securities at amortised cost**

2024 SAR'000	<u>12 month ECL</u>	<u>Life time ECL</u> <u>not credit impaired</u>	<u>Lifetime ECL</u> <u>credit impaired</u>	<u>Total</u>
Saudi Government Bonds, Sukuk and Treasury Bills	41,450,967	-	-	41,450,967
Investment Grade(credit rating of 'BBB' or above)	1,838,573	-	-	1,838,573
Non-investment Grade (credit rating of below 'BBB' )	760,124	105,337	-	865,461
Carrying amount	<b>44,049,664</b>	<b>105,337</b>	-	<b>44,155,001</b>

  

2023 SAR'000	<u>12 month ECL</u>	<u>Life time ECL</u> <u>not credit impaired</u>	<u>Lifetime ECL</u> <u>credit impaired</u>	<u>Total</u>
Saudi Government Bonds, Sukuk and Treasury Bills	32,917,649	-	-	32,917,649
Investment Grade (credit rating of 'BBB' or above)	838,091	-	-	838,091
Non-investment Grade(credit rating of below 'BBB' )	760,114	105,183	-	865,297
Carrying amount	<b>34,515,854</b>	<b>105,183</b>	-	<b>34,621,037</b>

**iii) (b) Debt investment securities at FVOCI**

Saudi Government Bonds, Sukuk and Treasury Bills	507,932	-	-	507,932
Investment Grade(credit rating of 'BBB' or above)	12,702,128	-	-	12,702,128
Non-investment Grade(credit rating of below 'BBB' )	4,025,292	1,398,462	846,413	6,270,167
Carrying amount	<b>17,235,352</b>	<b>1,398,462</b>	<b>846,413</b>	<b>19,480,227</b>
2023 SAR'000	<u>12 month ECL</u>	<u>Life time ECL</u> <u>not credit impaired</u>	<u>Lifetime ECL</u> <u>credit impaired</u>	<u>Total</u>
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade(credit rating of 'BBB' or above)	12,362,942	47,621	-	12,410,563
Non-investment Grade(credit rating of below 'BBB' )	4,486,620	1,844,916	794,897	7,126,433
Carrying amount	<b>16,849,562</b>	<b>1,892,537</b>	<b>794,897</b>	<b>19,536,996</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**


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**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**

iv) The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2024 and 2023.

	<u>12 month ECL</u>	<u>Life time ECL</u> <u>not credit impaired</u>	<u>Lifetime ECL</u> <u>credit impaired</u>	<u>Total</u>
<b>2024</b>				
SAR'000				
Low – fair risk	132,074,034	1,615,445	5,619	133,695,098
Watch list	-	1,860,194	81,279	1,941,473
Substandard	-	-	125,928	125,928
Doubtful	-	-	2,748	2,748
Loss	-	-	810,621	810,621
<b>Carrying amount</b>	<b>132,074,034</b>	<b>3,475,639</b>	<b>1,026,195</b>	<b>136,575,868</b>

	<u>12 month ECL</u>	<u>Life time ECL</u> <u>not credit impaired</u>	<u>Lifetime ECL</u> <u>credit impaired</u>	<u>Total</u>
<b>2023</b>				
SAR'000				
Low – fair risk	101,053,012	2,194,347	33,035	103,280,394
Watch list	-	1,426,484	13,384	1,439,868
Substandard	-	-	331,072	331,072
Doubtful	-	-	22,840	22,840
Loss	-	-	357,418	357,418
<b>Carrying amount</b>	<b>101,053,012</b>	<b>3,620,831</b>	<b>757,749</b>	<b>105,431,592</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)****34.3 CREDIT QUALITY ANALYSIS (continued)****b) Amounts arising from ECL – Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the 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.

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

- the credit risk grade at the reporting date with the credit risk grade at origination for any significant downgrade.
- the lifetime PD at the reporting date with the lifetime PD at origination for any significant increase in default risk.

The Group groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the Lifetime ECL.

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**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**
**b) Amounts arising from ECL – Significant increase in credit risk (continued)**
**Credit risk grades**

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower and his business activities.

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

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

<b>Corporate exposures</b>	<b>Retail exposures</b>	<b>All exposures</b>
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.	Internally collected data and customer behavior – e.g. utilization of credit card facilities.	Payment record – this includes overdue status as well as a range of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings.	Customer payment behavior based on internally collected data – e.g. Delinquency cycles,	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available,	Types and number of products held at customer level.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		Existing and forecast changes in business, financial and economic conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 34. FINANCIAL RISK MANAGEMENT (continued)

#### 34.3 CREDIT QUALITY ANALYSIS (continued)

##### b) Amounts arising from ECL – Significant increase in credit risk (continued)

###### i) Generating the term structure of PD

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 credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, oil prices, inflation, and money supply. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

The Bank utilizes a master rating scale consisting of 23 rating grades. Of which, the top 20 represent performing grades, while the bottom 3 represent non-performing grades. The performing grades are further bifurcated into 10 Investment Grades and 10 Non-investment Grades. The Investment Grades from 1 – 10 correspond to probabilities of default ranging from 0% to 0.48%, while the Non-investment Grades from 11 – 20 correspond to probabilities of default in the range of 0.48% to 99.99%. Finally, the 3 non-performing grades correspond to a probability of default of 100%

###### ii) Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, Group's quantitative risk grading and PD models indicate a material credit risk deterioration. In addition, 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.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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).

###### iii) Modified financial assets

The contractual terms of a loan 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 or being undergone into financially stressed conditions. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 34. FINANCIAL RISK MANAGEMENT (continued)

#### 34.3 CREDIT QUALITY ANALYSIS (continued)

##### b) Amounts arising from ECL – Significant increase in credit risk (continued)

###### iii) Modified financial assets (continued)

The Group renegotiates loans 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, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The relevant Board Committee regularly receives Loan Asset Quality review reports including forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, 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 time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

###### iv) Definition of 'Default'

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 34. FINANCIAL RISK MANAGEMENT (continued)

#### 34.3 CREDIT QUALITY ANALYSIS (continued)

##### b) Amounts arising from ECL – Significant increase in credit risk (continued)

###### v) Incorporation of forward looking information

The Group incorporates forward-looking information into both, its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macroeconomic models, in order to predict the default rates for the Corporate, Investments and Retail portfolio, for the future years.

The macroeconomic forecasts are made across four non-baseline scenarios, including the three stress scenarios mentioned in the below table. The forecasts for national factors were provided by the Bank and for the global factors, the forecasts were internally generated. These scenarios are formulated by considering the forecasts based on the latest economic outlook as the baseline. There is also an optimistic scenario namely 'Mild upturn' which is the inverse of the 'Mild Downturn' scenario. Following probability of scenario occurrences have been used to arrive at the final ECL estimates:

- Base - 40%
- Mild Up - 30%
- Mild Down- 10%
- Moderate - 10%
- Severe - 10%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated using local and international sources, such as General Authority for Statistics (KSA), World Bank, IMF etc. The Group started with close to 50 macro-economic variables for data collection purposes and these were further curtailed to 11 factors for the development of macroeconomic models, and using the most robust statistical techniques like linear and multi-factor regression, the Group finally selected only the best suitable combination of variables pertaining to the respective portfolios (on which the model would be applied). The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure under different portfolios:

- National GDP Growth Rate (%)
- Non-Oil GDP
- SAIBOR
- Crude Oil Prices (in USD per Barrel)
- Real Estate Loans (Mn SAR)
- World GDP(Constant prices)
- Investment(% of World GDP)
- Tadawul Share Price Index

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2024 and 2023**

**34. FINANCIAL RISK MANAGEMENT (continued)**

**34.3 CREDIT QUALITY ANALYSIS (continued)**

**b) Amounts arising from ECL – Significant increase in credit risk (continued)**

**v) Incorporation of forward looking information (continued)**

Group has used below baseline forecast related to the macroeconomic variables and for comparison purposes, severe stress forecasts are also presented along.

	Forecast calendar years used in 2024 ECL model (Baseline)			Forecast calendar years used in 2024 ECL model (Severe)		
	2024	2025	2026	2024	2025	2026
Economic Indicators (Raw)						
National GDP Growth Rate Constant	5.90	18.05	12.60	-9.65	-9.53	-9.58
National GDP Growth Rate Current Prices(%)	12.15	13.97	14.08	-35.71	-35.69	-35.7
Non-Oil GDP (Constant Prices) (Mn SAR)	465,492	484,043	503,333	448,995	467,546	486,836
Tadawul Share Price Index	12,500	13,000	13,400	11,183	11,683	12,083
3-Monthly Average SAIBOR	5.8	4.6	3.4	6.6	5.3	4.2
Crude oil prices (in USD per Barrel)	83	86	85	66	69	68.0
Real Estate Loans (Mn SAR)	849,554	947,252	1,079,868	723,054	820,753	953,368
World GDP % Change (Constant Prices)	3.2	3.2	3.3	1.8	1.9	1.9
Investment(% of World GDP)	26.2	26.4	26.6	25.8	25.9	26.2

**Sensitivity of ECL allowance**

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates.

The potential impact of global economic slowdown, inflationary pressures, volatility in energy prices, and high interest rate environment add certain estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.3 CREDIT QUALITY ANALYSIS (continued)**
**b) Amounts arising from ECL – Significant increase in credit risk (continued)**
**v) Incorporation of forward looking information (continued)**
**Sensitivity of ECL allowance (continued)**

The Group has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. The Group uses different macroeconomic models for different portfolios/sub-portfolios for its Corporate & Retail Loans and Investments exposures and therefore, the sensitivity analysis reflects changes in the value of given macroeconomic variable(s) used in these models and the resulting ECL impact on the respective portfolio(s). Noting that macroeconomic adjustment to a single PIT PD model may include more than one independent economic variable as model input, the standalone ECL impact of aforesaid sensitivity analysis is performed. The sensitivity analysis is performed taking into account the materiality of the exposure which is covered under a particular macroeconomic model:

Assumptions sensitized (SAR' 000)	ECL impact 2024
<u>Macro-economic factors:</u>	
5% Contraction in National GDP Growth Rate (Mn SAR)	1,286
10% Contraction in National GDP Growth Rate (Mn SAR)	2,578
1% Contraction in Non-Oil GDP (Constant Prices)	5,718
2% Contraction in Non-Oil GDP (Constant Prices)	11,663
15% Contraction in Tadawul Share Price Index	29,982
25% Contraction in Tadawul Share Price Index	50,117
5% Dip in oil prices (USD per Barrel)	159,497
10% Dip in oil prices (USD per Barrel)	325,957
10% Contraction in Real Estate Loans (Mn SAR)	-
20% Contraction in Real Estate Loans (Mn SAR)	-
10% Decline in the World GDP(Mn SAR)	101
20% Decline in World GDP(Mn SAR)	203
10% Rise in SAIBOR	339
20% Rise in SAIBOR	679
5% Decline in Investment(% of World GDP)	6,551
10% Decline in Investment(% of World GDP)	12,932
<u>Scenario Probability of Occurrence</u>	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	22,314
Base scenario sensitized by +/- 5% with corresponding change in mild upside	21,015

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 34. FINANCIAL RISK MANAGEMENT (continued)

#### 34.3 CREDIT QUALITY ANALYSIS (continued)

##### b) Amounts arising from ECL – Significant increase in credit risk (continued)

###### vi) Measurement of ECL

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

- 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. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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 lending commitments, financial guarantees and Retail credit cards, 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. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include but not limited to below:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower;
- Economic Sectors.

The Group's risk and business profile is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**34. FINANCIAL RISK MANAGEMENT (continued)**
**34.4 CREDIT QUALITY OF LOANS AND ADVANCES**
**a) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows**

SAR' 000	2024				2023			
	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi Government	2,587,387	-	(1,294)	2,586,093	371,575	-	(1,480)	370,095
Banks and other financial institutions	20,468,934	-	(68,184)	20,400,750	14,419,228	-	(38,236)	14,380,992
Agriculture and fishing	1,223,758	3,637	(6,644)	1,220,751	1,908,319	7,489	(12,279)	1,903,529
Manufacturing	27,211,377	395,054	(780,720)	26,825,711	25,916,789	496,490	(876,162)	25,537,117
Mining and quarrying	8,915,691	1,558	(8,132)	8,909,117	7,681,901	688	(10,102)	7,672,487
Electricity, water, gas and health services	28,329,642	8,701	(22,015)	28,316,328	19,173,538	11,271	(49,323)	19,135,486
Building and construction	18,879,688	152,218	(827,386)	18,204,520	20,221,204	645,841	(1,600,098)	19,266,947
Commerce	84,367,212	1,021,291	(1,501,754)	83,886,749	63,676,064	741,219	(977,698)	63,439,585
Transportation and communication	3,744,271	111,103	(31,281)	3,824,093	5,168,239	83,419	(13,486)	5,238,172
Services	21,821,417	222,672	(539,905)	21,504,184	17,887,067	236,929	(206,471)	17,917,525
Consumer loans and credit cards	96,203,251	1,257,290	(1,510,497)	95,950,044	95,312,316	1,240,472	(1,128,346)	95,424,442
Others	8,464,887	-	(3,736)	8,461,151	4,120,507	-	(8,638)	4,111,869
Total	322,217,515	3,173,524	(5,301,548)	320,089,491	275,856,747	3,463,818	(4,922,319)	274,398,246

**b) Collateral**

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. The Group ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. 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 loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. According to the relevant policy and accounting standards, the Group recognized a loss allowance against all financial instruments, although it may have been affected by the type of collateral. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2024 SAR'000	2023 SAR'000
Good loans	127,164,199	107,699,140
Past due but performing loans	10,165,786	6,438,757
Non performing loans	1,596,070	1,798,326
Total	<u>138,926,055</u>	<u>115,936,223</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 35. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

#### 35.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group 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 Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). 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 Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group 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 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2024 and 2023 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2024			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2024	2.05	16.07	15.18	31.54
Average VaR for 2024	0.93	7.30	6.02	13.44
Maximum VaR for 2024	2.14	16.82	15.37	32.48
Minimum VaR for 2024	0.17	1.02	1.08	2.32

	2023			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2023	0.44	1.02	1.14	2.39
Average VaR for 2023	1.07	2.50	1.78	4.81
Maximum VaR for 2023	2.96	6.92	3.41	11.81
Minimum VaR for 2023	0.39	0.91	0.71	1.81

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 35. MARKET RISK (continued)

#### 35.2 Market Risk - Non-trading or Banking Book

##### i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2024 and 2023, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2024 and 2023 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

##### 2024

Currency	Increase in basis points	Sensitivity of net special commission	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	437.25	-	-	-	-	
USD	+ 100	(327.76)	(7.09)	(7.16)	(251.79)	(307.22)	(573.26)
EUR	+ 100	(9.11)					
GBP	+ 100	(4.63)					
JPY	+ 100	-					
Others	+ 100	-					

Currency	Decrease in basis points	Sensitivity of net special commission	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(441.02)	-	-	-	-	
USD	- 100	326.09	7.09	7.16	251.79	307.22	573.26
EUR	- 100	9.06					
GBP	- 100	4.58					
JPY	- 100	-					
Others	- 100	-					

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 35. MARKET RISK (continued)

#### 35.2 Market Risk - Non-trading or Banking Book (continued)

##### i) Special commission rate risk (continued)

Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	315.15	-	-	-	-	-
USD	+ 100	(290.28)	(1.30)	(0.65)	(53.98)	(438.48)	(494.41)
EUR	+ 100	(0.62)					
GBP	+ 100	(0.97)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-
Currency	Decrease in basis points	Sensitivity of net special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	(321.21)	-	-	-	-	-
USD	- 100	288.78	1.30	0.65	53.98	438.48	494.41
EUR	- 100	0.62					
GBP	- 100	0.97	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

#### Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2024 and 2023**

**35. MARKET RISK (continued)**

**35.2 Market Risk - Non-trading or Banking Book (continued)**

**ii) Special commission rate risk (continued)**

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2024 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
<b>Assets</b>						
Cash and balances with SAMA	4,712,178	-	-	-	17,887,795	22,599,973
Cash in hand	-	-	-	-	1,887,900	1,887,900
Balances with SAMA	4,712,178	-	-	-	15,999,895	20,712,073
Due from banks and other financial institutions	17,976,576	-	-	-	4,597,508	22,574,084
Current accounts	2,102,931	-	-	-	4,597,508	6,700,439
Money market placements	15,873,645	-	-	-	-	15,873,645
Positive fair value of derivatives	98,927	65,973	590,612	4,813,440	-	5,568,952
Investments, net	6,436,376	10,750,671	15,630,874	30,813,843	6,037,199	69,668,963
FVIS	-	-	-	-	4,492,580	4,492,580
FVOCI	1,622,471	1,217,908	10,129,899	6,509,949	1,544,619	21,024,846
Amortised cost	4,813,905	9,532,763	5,500,975	24,303,894	-	44,151,537
Investment in associates	-	-	-	-	402,419	402,419
Loans and advances, net	143,256,323	77,021,863	40,445,632	59,365,673	-	320,089,491
Overdraft	5,681,008	-	-	-	-	5,681,008
Credit cards	1,715,251	-	-	-	-	1,715,251
Consumer loans	2,539,751	7,243,285	28,072,284	56,379,473	-	94,234,793
Commercial loans	130,684,498	69,778,578	12,373,348	2,986,200	-	215,822,624
Others	2,635,815	-	-	-	-	2,635,815
Other real estate	-	-	-	-	753,700	753,700
Property, equipment and right of use assets, net	-	-	-	-	6,517,129	6,517,129
Other assets	2,053,343	-	-	-	150,740	2,204,083
Accounts receivable and others	2,053,343	-	-	-	150,740	2,204,083
Total assets	174,533,723	87,838,507	56,667,118	94,992,956	36,346,490	450,378,794
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	26,837,228	12,669,533	3,368,349	-	1,073,910	43,949,020
Current accounts	-	-	-	-	1,073,910	1,073,910
Money market deposits	26,837,228	12,669,533	3,368,349	-	-	42,875,110
Negative fair value of derivatives	64,340	181,368	535,812	4,384,073	-	5,165,593
Customer deposits	143,860,359	21,173,469	1,523,729	857,990	139,007,844	306,423,391
Demand	28,512,083	-	-	-	124,540,082	153,052,165
Saving	634,065	-	-	-	671,416	1,305,481
Time	114,714,211	21,173,469	1,523,729	857,990	-	138,269,399
Other	-	-	-	-	13,796,346	13,796,346
Debt securities in issue and term loan	8,636,100	-	4,688,353	-	-	13,324,453
Other liabilities	-	-	-	-	13,574,238	13,574,238
Accounts payable and others	-	-	-	-	13,574,238	13,574,238
Shareholders' equity and Tier 1 sukuk	-	-	-	-	67,942,099	67,942,099
Total liabilities and shareholders' equity	179,398,027	34,024,370	10,116,243	5,242,063	221,598,091	450,378,794
Special commission rate sensitivity -On statement of financial position gap	(4,864,304)	53,814,137	46,550,875	89,750,893	(185,251,601)	-
Special commission rate sensitivity -Off statement of financial position gap	(606,250)	1,393,750	(787,500)	-	-	-
Total special commission rate sensitivity gap	(5,470,554)	55,207,887	45,763,375	89,750,893	(185,251,601)	-
Cumulative special commission rate sensitivity gap	(5,470,554)	49,737,333	95,500,708	185,251,601	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**35. MARKET RISK (continued)**
**35.2 Market Risk - Non-trading or Banking Book (continued)**
**ii) Special commission rate risk (continued)**

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
<b>Assets</b>						
Cash and balances with SAMA	9,141,203	-	-	-	17,034,023	26,175,226
Cash in hand	-	-	-	-	3,450,448	3,450,448
Balances with SAMA	9,141,203	-	-	-	13,583,575	22,724,778
Due from banks and other financial	11,681,520	-	-	-	3,752,205	15,433,725
Current accounts	2,707,342	-	-	-	3,752,205	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	3,531,166	6,422,286	13,012,955	31,188,793	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	2,903,260	5,313,315	3,101,714	23,299,915	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	106,239,360	70,842,745	41,463,315	55,852,826	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	3,125,020	8,051,085	29,406,766	53,376,399	-	93,959,270
Commercial loans	94,247,468	62,791,660	12,056,549	2,476,427	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property, equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398	-	-	-	1,422,722	2,547,120
<b>Total assets</b>	<b>131,737,173</b>	<b>77,314,482</b>	<b>55,094,742</b>	<b>90,022,300</b>	<b>32,680,232</b>	<b>386,848,929</b>
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial	17,552,202	13,541,251	9,245,147	-	2,125,426	42,464,026
Current accounts	-	-	-	-	2,125,426	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463	-	3,428,575
Customer deposits	99,971,114	13,016,368	10,891,876	2,274,400	128,753,866	254,907,624
Demand	11,347,732	-	-	-	108,258,951	119,606,683
Saving	713,773	-	-	-	686,374	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	-	-	-	-	19,808,541	19,808,541
Debt securities in issue	-	7,747,622	5,625,000	-	-	13,372,622
Other liabilities	-	-	-	-	12,418,011	12,418,011
Accounts payable and others	-	-	-	-	12,418,011	12,418,011
Shareholders' equity	-	-	-	-	60,258,071	60,258,071
<b>Total liabilities and shareholders' equity</b>	<b>117,535,626</b>	<b>34,375,431</b>	<b>26,367,635</b>	<b>5,014,863</b>	<b>203,555,374</b>	<b>386,848,929</b>
Special commission rate sensitivity -On statement of financial position gap	14,201,547	42,939,051	28,727,107	85,007,437	(170,875,142)	-
Special commission rate sensitivity -Off statement of financial position gap	199,047	(786,547)	587,500	-	-	-
<b>Total special commission rate sensitivity</b>	<b>14,400,594</b>	<b>42,152,504</b>	<b>29,314,607</b>	<b>85,007,437</b>	<b>(170,875,142)</b>	<b>-</b>
Cumulative special commission rate sensitivity gap	14,400,594	56,553,098	85,867,705	170,875,142	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 35. MARKET RISK (continued)

#### 35.2 Market Risk - Non-trading or Banking Book (continued)

##### iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used 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 December 31, 2024 and 2023 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement 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 (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

##### Currency Exposures

As at December 31, 2024

(SAR million)

USD

EUR

GBP

JPY

Others

	Change in currency rate in %	Effect on net income
USD	± 1	± 2.79
EUR	± 1	± 0.29
GBP	± 1	± 0.24
JPY	± 1	± 0.00
Others	± 1	± 0.00

##### Currency Exposures

As at December 31, 2023

(SAR million)

USD

EUR

GBP

JPY

Others

	Change in currency rate in %	Effect on net income
USD	± 1	±2.77
EUR	± 1	±0.0056
GBP	± 1	±0.65
JPY	± 1	±0
Others	± 1	±0

##### iv) Currency position

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Asset & Liability Committee (ALCO) delegated by the Board sets the FX Net Open Position limits, which are reviewed annually, for both the spot and forward exchange positions by currency, which are monitored daily by the Risk Team. At the end of the year, the Group had the following significant net exposures (Spot) denominated in foreign currencies:

	2024	2023
Long (short)	Long (short)	
SAR'000	SAR'000	
US Dollar	(4,621,991)	974,080
Japanese Yen	313	842
Euro	(967)	(664)
Pound Sterling	(5,913)	(1,200)
Others	87,231	52,060

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 35. MARKET RISK (continued)

#### 35.2 Market Risk - Non-trading or Banking Book (continued)

##### v) Banking Book - 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 reasonable possible changes in levels of equity indices and the value of individual stocks.

The Group did not have any Saudi Exchange (Tadawul) listed equities(shares) as at 31 December 2024 & 2023.

### 36. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

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

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

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2023: 7%) of average demand deposits and 4% (2023: 4%) of average saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 36. LIQUIDITY RISK (continued)

- a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2024 and 2023 based on contractual undiscounted repayment obligations.

As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2024 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>					
Due to banks and other financial institutions	27,911,138	12,669,533	3,368,349	-	43,949,020
Current accounts	1,073,910	-	-	-	1,073,910
Money market deposits	26,837,228	12,669,533	3,368,349	-	42,875,110
Customer deposits	268,136,961	25,336,157	11,955,131	995,142	306,423,391
Demand	153,052,165	-	-	-	153,052,165
Saving	1,305,481	-	-	-	1,305,481
Time	103,824,211	23,423,469	10,163,729	857,990	138,269,399
Other	9,955,104	1,912,688	1,791,402	137,152	13,796,346
Debt securities in issue and term loan	6,539,338	903,238	9,127,268	-	16,569,844
Derivative financial instruments	(15,262)	34,958	168,011	381,158	568,865
Lease liabilities	65	19,887	180,292	162,059	362,303
<b>Total undiscounted financial liabilities</b>	<b>302,572,240</b>	<b>38,963,773</b>	<b>24,799,051</b>	<b>1,538,359</b>	<b>367,873,423</b>
2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>					
Due to banks and other financial institutions	19,943,407	12,393,743	10,620,040	-	42,957,190
Current accounts	2,125,426	-	-	-	2,125,426
Money market deposits	17,817,981	12,393,743	10,620,040	-	40,831,764
Customer deposits	225,145,385	14,766,885	12,596,578	2,398,776	254,907,624
Demand	119,606,683	-	-	-	119,606,683
Saving	1,400,147	-	-	-	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	114,092,253
Other	16,228,946	1,750,517	1,704,702	124,376	19,808,541
Debt securities in issue	99,674	299,022	1,594,787	9,469,854	11,463,337
Derivative financial instruments	(29,343)	7,854	69,276	205,454	253,241
Lease liabilities	5,598	42,344	326,867	181,285	556,093
<b>Total undiscounted financial liabilities</b>	<b>245,164,721</b>	<b>27,509,848</b>	<b>25,207,548</b>	<b>12,255,369</b>	<b>310,137,485</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

**36. LIQUIDITY RISK (continued)**

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

2024 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
<b>Assets</b>						
Cash and balances with SAMA	6,972,605	-	-	-	15,627,368	22,599,973
Cash in hand	1,887,900	-	-	-	-	1,887,900
Balances with SAMA	5,084,705	-	-	-	15,627,368	20,712,073
Due from banks and other financial institutions	22,574,084	-	-	-	-	22,574,084
Current accounts	6,700,439	-	-	-	-	6,700,439
Money market placements	15,873,645	-	-	-	-	15,873,645
Positive fair value of derivatives	98,927	65,973	590,612	4,813,440	-	5,568,952
Investments, net	4,616,812	10,316,797	17,252,029	31,446,126	6,037,199	69,668,963
FVIS	-	-	-	-	4,492,580	4,492,580
FVOCI	1,236,010	1,395,049	10,339,068	6,510,100	1,544,619	21,024,846
Amortised cost	3,380,802	8,921,748	6,912,961	24,936,026	-	44,151,537
Investment in associates	-	-	-	-	402,419	402,419
Loans and advances, net	88,970,998	54,621,669	71,573,097	104,923,727	-	320,089,491
Overdraft	5,681,008	-	-	-	-	5,681,008
Credit cards	1,715,251	-	-	-	-	1,715,251
Consumer loans	125,736	642,187	28,579,327	64,887,543	-	94,234,793
Commercial loans	78,813,188	53,979,482	42,993,770	40,036,184	-	215,822,624
Others	2,635,815	-	-	-	-	2,635,815
Other real estate	-	-	-	-	753,700	753,700
Property and equipment and right of use assets, net	-	-	-	-	6,517,129	6,517,129
Other assets	2,053,343	-	-	-	150,740	2,204,083
Accounts receivable and others	2,053,343	-	-	-	150,740	2,204,083
<b>Total assets</b>	<b>125,286,769</b>	<b>65,004,439</b>	<b>89,415,738</b>	<b>141,183,293</b>	<b>29,488,555</b>	<b>450,378,794</b>
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	27,911,138	12,669,533	3,368,349	-	-	43,949,020
Current accounts	1,073,910	-	-	-	-	1,073,910
Money market deposits	26,837,228	12,669,533	3,368,349	-	-	42,875,110
Negative fair value of derivatives	64,340	181,368	535,812	4,384,073	-	5,165,593
Customer deposits	268,136,961	25,336,157	11,955,131	995,142	-	306,423,391
Demand	153,052,165	-	-	-	-	153,052,165
Saving	1,305,481	-	-	-	-	1,305,481
Time	103,824,211	23,423,469	10,163,729	857,990	-	138,269,399
Other	9,955,104	1,912,688	1,791,402	137,152	-	13,796,346
Debt securities in issue and term loan	5,636,100	-	7,688,353	-	-	13,324,453
Other liabilities	1,161,720	86,460	313,098	485,282	11,527,678	13,574,238
Accounts payable and others	1,161,720	86,460	313,098	485,282	11,527,678	13,574,238
Shareholders' equity and Tier 1 sukuk	-	-	-	-	67,942,099	67,942,099
<b>Total liabilities and shareholders' equity</b>	<b>302,910,259</b>	<b>38,273,518</b>	<b>23,860,743</b>	<b>5,864,497</b>	<b>79,469,777</b>	<b>450,378,794</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the years ended December 31, 2024 and 2023**
**36. LIQUIDITY RISK (continued)**
**b) Analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (continued).**

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
<b><u>Assets</u></b>						
Cash and balances with SAMA	12,856,855	-	-	-	13,318,371	26,175,226
Cash in hand	3,450,448	-	-	-	-	3,450,448
Balances with SAMA	9,406,407	-	-	-	13,318,371	22,724,778
Due from banks and other financial institutions	15,433,725	-	-	-	-	15,433,725
Current accounts	6,459,547	-	-	-	-	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	2,517,404	4,090,829	16,411,676	31,135,291	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	1,889,498	2,981,858	6,500,435	23,246,413	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	49,558,579	53,437,708	79,780,753	91,621,206	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	223,230	334,581	30,009,005	63,392,454	-	93,959,270
Commercial loans	40,468,477	53,103,127	49,771,748	28,228,752	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property, equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398	-	-	-	1,422,722	2,547,120
<b>Total assets</b>	<b>81,510,487</b>	<b>57,577,988</b>	<b>96,810,901</b>	<b>125,737,178</b>	<b>25,212,375</b>	<b>386,848,929</b>
<b><u>Liabilities and shareholders' equity</u></b>						
Due to banks and other financial institutions	19,677,628	13,541,251	9,245,147	-	-	42,464,026
Current accounts	2,125,426	-	-	-	-	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463	-	3,428,575
Customer deposits	225,145,385	14,766,885	12,596,578	2,398,776	-	254,907,624
Demand	119,606,683	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	16,228,946	1,750,517	1,704,702	124,376	-	19,808,541
Debt securities in issue	277,300	-	10,125,000	2,970,322	-	13,372,622
Other liabilities	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Accounts payable and others	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Shareholders' equity	-	-	-	-	60,258,071	60,258,071
<b>Total liabilities and shareholders' equity</b>	<b>246,196,313</b>	<b>28,481,529</b>	<b>32,896,533</b>	<b>8,709,891</b>	<b>70,564,663</b>	<b>386,848,929</b>

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note (20 c) .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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

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

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

#### Fair value and fair value hierarchy

	2024	Level 1	Level 2	Level 3	Total
	SAR'000				
<b>Financial assets measured at fair value</b>					
Investments Held as FVIS		4,492,580	-	-	4,492,580
- Mutual funds		4,492,580	-	-	4,492,580
Investments Held as FVOCI		20,520,644	-	504,202	21,024,846
- Fixed rate securities		18,852,456	-	-	18,852,456
- Floating rate securities		627,771	-	-	627,771
- Equities		1,040,417	-	504,202	1,544,619
Positive fair value derivatives		-	5,568,952	-	5,568,952
<b>Financial liabilities measured at fair value</b>					
Negative fair value derivatives		-	5,165,593	-	5,165,593
 <b>2023</b>					
SAR'000		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Investments Held as FVIS		2,322,845	-	-	2,322,845
- Mutual funds		2,322,845	-	-	2,322,845
Investments Held as FVOCI		20,487,008	-	680,767	21,167,775
- Fixed rate securities		19,534,543	-	-	19,534,543
- Floating rate securities		2,453	-	-	2,453
- Equities		950,012	-	680,767	1,630,779
Positive fair value derivatives		-	3,668,130	-	3,668,130
<b>Financial liabilities measured at fair value</b>					
Negative fair value derivatives		-	3,428,575	-	3,428,575

The fair value of loans and advances amounted to SAR 324,230 million (carrying value: SAR 325,391 million) (2023: fair value SAR 275,392 million and carrying value SAR 279,321 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances which is categorized within level 3 of fair value hierarchy. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 40,657 million with carrying value SAR 44,151 million (2023: fair value SAR 31,934 million and carrying value SAR 34,618 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued and term loan at December 31, 2024 and 2023 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
<b>Reconciliation of movement in Level 3</b>		
Opening balance	<b>680,767</b>	554,576
Total gains or losses		
- recognised in other comprehensive income	(47,271)	121,394
Sales	(246,597)	-
Other movements	10,282	2,452
Purchases	107,021	2,345
<b>Closing balance</b>	<b>504,202</b>	680,767

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

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

### 38. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
<b>a) Major Shareholders</b>		
Loans and advances	996,803	235,000
Customer deposits	32,208,887	10,157,328
Derivatives asset (at fair value)	(2,835)	(1,843)
Commitments and contingencies (irrevocable)	253,197	1,015,000
<b>b) Bank's Board of Directors and Senior Executives:</b>		
Loans and advances	447,256	729,585
Customer deposits	516,935	432,171
Commitments and contingencies (irrevocable)	2,024,164	986,713
Executive end of service	38,800	30,495
<b>c) Associates</b>		
Loans and advances	212,046	48,000
Customer deposits	79,056	140,336
Commitments and contingencies (irrevocable)	230,482	462,911

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

#### Group's mutual funds:

Customer deposits

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 38. RELATED PARTY TRANSACTIONS (continued)

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as

	2024 <u>SAR'000</u>	2023 <u>SAR'000</u>
a) Major Shareholders		
Special commission income	25,628	21,011
Special commission expense	1,157,599	1,106,092
Fees from banking services, net	1,455	7,254
Directors and committees remuneration and expenses	-	-
Executive remuneration and bonus	-	-
Executive end of service	-	-
Other expenses	197,675	43,710
b) Bank's Board of Directors and Senior Executives:		
Special commission income	56,916	34,702
Special commission expense	26,676	20,794
Fees from banking services, net	4,684	7,549
Directors and committees remuneration and expenses	2,114	7,025
Executive remuneration and bonus	128,990	114,562
Executive end of service	10,226	5,751
Other expenses	-	-
c) Associates and funds managed by the group		
Special commission income	8,712	1,071
Special commission expense	5,266	24,394
Fees from banking services, net	272,976	280,090
Directors and committees remuneration and expenses	-	-
Executive remuneration and bonus	-	-
Executive end of service	-	-
Other expenses	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 39. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above Basel prescribed minimum.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios

	2024 <u>SAR '000</u>	2023 <u>SAR '000</u>
Top consolidated level		
Common Equity Tier 1 Capital(CET 1)	<b>58,359,010</b>	53,451,132
Total Tier 1 capital	<b>67,745,110</b>	60,013,632
Tier 2 capital	<b>10,480,304</b>	10,498,335
<b>Total Tier 1 + Tier 2 Capital</b>	<b>78,225,414</b>	70,511,967
<b>Risk weighted assets</b>		
Credit risk weighted assets	<b>381,891,664</b>	318,801,964
Operational risk weighted assets	<b>15,712,121</b>	13,461,109
Market risk weighted assets	<b>15,359,313</b>	7,843,841
<b>Total Pillar 1 Risk Weighted Assets</b>	<b>412,963,098</b>	340,106,914
CET 1 Ratio %	<b>14.13%</b>	15.72%
<b>Tier I Capital Adequacy Ratio</b>	<b>16.40%</b>	17.65%
<b>Total Capital Adequacy Ratio</b>	<b>18.94%</b>	20.73%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

### 40. PROFIT SHARING INVESTMENT ACCOUNT

The PSIA policy document was developed to define the roles & responsibilities of board & senior management , product governance, profit calculation & distribution mechanism, terms & conditions of the contract and disclosure requirements in financial statements and to the Investment account holders. The gross financing includes the Bank's ijara portfolio. The deposits raised through Islamic Saving Account forms a pool of funds, invested in Islamic assets. The size of these keeps varying depending upon placement of new deposits or withdrawal by the customers. Bank have a share in the profit earned on the pool of funds based on a Profit-Sharing Ratio.

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

As of December 31, 2024 & 2023, all joint financing is funded by comingled pool which includes funds from Unrestricted Investment Accountholder ("IAH").

	2024 SAR'000	2023 SAR'000
Ijarah	<u>5,390,232</u>	3,582,720
Total financing and investments	<u><u>5,390,232</u></u>	<u><u>3,582,720</u></u>

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

	2024 SAR'000	2023 SAR'000
Pool Income from Investment	<u>49,988</u>	24,235
Total Pool Income	<u><u>49,988</u></u>	<u><u>24,235</u></u>
Total amount paid to IAH Mudaraba	<u>2,276</u>	1,648
Total amount attributable to shareholders pool	<u><u>2,276</u></u>	<u><u>1,648</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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### 41. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their monthly basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

### 42. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 93.6 billion (2023: SAR 93.5 billion).

The Bank's assets under management include non-interest based funds amounting to SAR 11.1 billion (2023: SAR 14.4 billion).

### 43. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

### 44. EVENTS AFTER THE REPORTING PERIOD

- a) During January 2025, the Bank successfully issued SAR denominated additional Tier 1 capital-eligible sukuk amounting to SAR 2 billion. The sukuks carry special commission rate of 6%. The Sukuk are perpetual securities and accordingly do not have a fixed or final redemption date.
- b) During January 2025, the Bank obtained the necessary approvals from SAMA for exercising its call option on its sukuk amounting to USD 1.5 billion (SAR 5.6 billion) after the expiry five year period on February 25, 2025.
- c) On February 3, 2025, final dividends of SAR 2,696 million at SAR 0.90 per share was proposed for second half of 2024.

### 45. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Sha'ban 4,1446 H (corresponding to February 3, 2025 ).