BANQUE SAUDI FRANSI

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

Shape the future with confidence

Ernst & Young Professional Services (Professional LLC)
Paid-up capital: ⃁ 5,500,000 (Five million five hundred thousand Saudi Riyal)

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Independent Auditors' Report
To the Shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company)

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banque Saudi Fransi (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances As at 31 December 2025, the gross loans and advances of the Group were SAR 219 billion against which an expected credit loss ("ECL") allowance of SAR 3.8 billion was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorisation of loans and advances into Stage 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. 2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to assessment of financial condition of counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages.	▪ We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy and model methodology. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. ▪ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including Information Technology ("IT") general and application controls) over; • the ECL model, including governance over the model, and any model updates during the year, including approval of credit and impairment committee of key inputs and assumptions; • 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; • the IT systems and applications underpinning the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of customers, we assessed: • the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information; • management's computations for ECL; and • for selected loans and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances (continued) Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2025. *Refer to the summary of significant accounting policy note 3 (H) for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to ECL losses on financial assets and the impairment assessment methodology used by the Group; note 7 which contains the disclosure of impairment against loans and advances; and note 33 (c) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	▪ We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2025. ▪ Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights. We assessed the adequacy of disclosures in the consolidated financial statements.

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments As at 31 December 2025, the positive and negative fair value of derivatives held by the Group amounted to SAR 4.5 billion and SAR 4.3 billion, respectively. The Group has entered into various derivative transactions, including commission rate swaps, commsision rate futures and options, forward foreign exchange contracts, currency options and others. The valuation of these derivative contracts are subjective as it takes into account a number of assumptions and model calibrations. 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 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. 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, due to the use of complex modelling techniques. *Refer to the basis of preparation note 2 (e) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 3 (J) for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.*	▪ We obtained an understanding of the process adopted by management to determine the fair value of derivative financial instruments and assessed whether the key controls within this process were appropriately designed and implemented. ▪ We selected a sample of derivatives and: • Involved our specialists to assist us in performing independent valuations of the derivatives on a sample basis and compared the results with management's valuations and methodologies; • Assessed the accuracy of derivative particulars by comparing the terms and conditions with relevant agreements and deal confirmations; • Assessed the key inputs to the derivative valuation models; • Assessed the hedge effectiveness assessment performed by the Group and the appropriateness of related hedge accounting; and We assessed the adequacy of disclosures in the consolidated financial statements.

Report on the audit of the consolidated financial statements (continued)

Other Information

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Group's 2025 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 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia, and the Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Board of Directors, are responsible for overseeing the Group's financial reporting process.

Report on the audit of the consolidated financial statements (continued)

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

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report
To the Shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (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 for the year ended 31 December 2025.

Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

Deloitte and Touche & Co.

Waleed bin Moh'd Sobahi
Certified Public Accountant
License Number: 378

14 Sha'ban 1447H
(2 February 2026)

⃁ '000	Notes	2025	2024 (Restated – note 44)
ASSETS			
Cash and balances with Saudi Central Bank	4	**10,931,246**	10,920,606
Due from banks and other financial institutions, net	5	**3,816,772**	5,015,810
Investments, net	6	**68,681,703**	60,819,754
Positive fair value of derivatives	11	**4,464,099**	5,691,581
Loans and advances, net	7	**214,891,263**	204,168,275
Investment in associate, net	8	**9,695**	9,695
Property, equipment and right of use assets, net	9	**2,544,406**	2,318,805
Other real estate, net		**219,041**	343,500
Other assets, net	10	**3,447,561**	4,018,532
Total assets		**309,005,786**	293,306,558
LIABILITIES AND EQUITY			
Liabilities			
Due to Saudi Central Bank	12	**4,980,012**	12,492,716
Due to banks and other financial institutions	13	**7,904,600**	19,814,143
Customers' deposits	14	**195,219,089**	185,118,179
Negative fair value of derivatives	11	**4,251,687**	6,218,422
Debt securities and term loans	15	**38,876,945**	15,518,054
Other liabilities	16	**7,114,015**	7,007,146
Total liabilities		**258,346,348**	246,168,660
Equity			
Share capital	17	**25,000,000**	25,000,000
Statutory reserve	18	**9,527,945**	8,189,590
General reserve	18	**982,857**	982,857
Other reserves	19	**748,911**	(601,940)
Retained earnings		**5,388,140**	4,509,836
Proposed dividend	28	**1,294,696**	1,245,666
Treasury shares	38	**(220,611)**	(188,111)
Equity attributable to the shareholders of the Bank		**42,721,938**	39,137,898
Tier I capital	20	**7,937,500**	8,000,000
Total equity		**50,659,438**	47,137,898
Total liabilities and equity		**309,005,786**	293,306,558

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

Ramzy Darwish	**Bader AlSalloom**	**Mazin AlRomaih**
Chief Financial Officer	**Chief Executive Officer**	**Chairman of the Board**

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BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the years ended December 31, 2025 and 2024

⃁ '000	Notes	2025	2024
Special commission income	22	**17,558,522**	16,371,966
Special commission expense	22	**8,866,618**	8,488,583
Net special commission income		**8,691,904**	7,883,383
Fee and commission income	23	**1,667,632**	1,650,703
Fee and commission expense	23	**711,692**	678,490
Net fee and commission income		**955,940**	972,213
Exchange income, net		**485,585**	482,103
Trading income, net	24	**225,634**	275,691
Dividend income		**23,269**	16,316
Gains on FVOCI / non-trading investments, net		**117,987**	27,267
Other operating income	25	**36,445**	706
Total operating income		**10,536,764**	9,657,679
Salaries and employee related expenses	31	**1,875,850**	1,883,247
Rent and premises related expenses		**71,286**	74,734
Depreciation and amortization	9	**332,026**	299,213
Other operating and general and administrative expenses	26	**1,279,959**	1,151,492
Total operating expenses before impairment charge		**3,559,121**	3,408,686
Impairment charge for expected credit losses on loans and advances, net	7d	**973,997**	1,143,899
Impairment charge for investments, financial assets and others, net	7e	**14,633**	35,768
Total operating expenses, net		**4,547,751**	4,588,353
Net income for the year before Zakat		**5,989,013**	5,069,326
Zakat for the year	29	**635,594**	525,255
Net income for the year		**5,353,419**	4,544,071
Basic and diluted earnings per share (⃁)	27	**1.97**	1.72

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

Ramzy Darwish	**Bader AlSalloom**	**Mazin AlRomaih**
Chief Financial Officer	**Chief Executive Officer**	**Chairman of the Board**

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2025 and 2024

⃁ '000	Notes	2025	2024
Net income for the year		**5,353,419**	4,544,071
Other comprehensive income / (loss):			
Items that cannot be recycled back to consolidated statement of income in subsequent periods			
Movement in equity instruments at fair value through other comprehensive income			
Net change in the fair value	19	**110,806**	55,150
Gain transferred to retained earnings	19	**-**	(65,341)
Actuarial gain on defined benefit plans	19	**44,092**	20,119
Items that can be recycled back to consolidated statement of income in subsequent periods			
Debt instruments at fair value through other comprehensive income			
Net change in the fair value	19	**743,256**	111,156
Net change in ECL	19	**4,610**	10,141
Income transferred to consolidated statement of income	19	**(117,987)**	(28,304)
Cash flow hedge			
Net change in the fair value	19	**(18,765)**	(673,668)
Loss transferred to consolidated statement of income	19	**584,839**	860,994
Total other comprehensive income for the year		**1,350,851**	290,247
Total comprehensive income for the year		**6,704,270**	4,834,318

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

Ramzy Darwish	**Bader AlSalloom**	**Mazin AlRomaih**
Chief Financial Officer	**Chief Executive Officer**	**Chairman of the Board**

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2025 and 2024

⃀ '000	Notes	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves: FVOCI	Other reserves: Actuarial gain on defined benefit plans	Other reserves: Cash flow hedge	Proposed dividend	Treasury shares	Total equity attributable to the shareholders	Tier I capital	Total Equity
2025													
Balance at the beginning of the year (restated)	44	**25,000,000**	**8,189,590**	**982,857**	**4,509,836**	**(19,921)**	**26,537**	**(608,556)**	**1,245,666**	**(188,111)**	**39,137,898**	**8,000,000**	**47,137,898**
Net income for the year		**-**	**-**	**-**	**5,353,419**	**-**	**-**	**-**	**-**	**-**	**5,353,419**	**-**	**5,353,419**
Net change in the fair value	19	**-**	**-**	**-**	**-**	**858,672**	**-**	**(18,765)**	**-**	**-**	**839,907**	**-**	**839,907**
Actuarial gain	19	**-**	**-**	**-**	**-**	**-**	**44,092**	**-**	**-**	**-**	**44,092**	**-**	**44,092**
Net amount transferred to consolidated statement of income	19	**-**	**-**	**-**	**-**	**(117,987)**	**-**	**584,839**	**-**	**-**	**466,852**	**-**	**466,852**
Total comprehensive income for the year		**-**	**-**	**-**	**5,353,419**	**740,685**	**44,092**	**566,074**	**-**	**-**	**6,704,270**	**-**	**6,704,270**
Transfer to statutory reserve	18	**-**	**1,338,355**	**-**	**(1,338,355)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Final dividend paid for 2024	28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,245,666)**	**-**	**(1,245,666)**	**-**	**(1,245,666)**
Interim dividend paid for 2025	28	**-**	**-**	**-**	**(1,374,290)**	**-**	**-**	**-**	**-**	**-**	**(1,374,290)**	**-**	**(1,374,290)**
Proposed final dividend 2025	28	**-**	**-**	**-**	**(1,294,696)**	**-**	**-**	**-**	**1,294,696**	**-**	**-**	**-**	**-**
Issuance of Tier I capital	20	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,937,500**	**4,937,500**
Tier I sukuk called	20	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,000,000)**	**(5,000,000)**
Tier I capital related cost		**-**	**-**	**-**	**(467,774)**	**-**	**-**	**-**	**-**	**-**	**(467,774)**	**-**	**(467,774)**
Net change in treasury shares	38	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(32,500)**	**(32,500)**	**-**	**(32,500)**
Balance at the end of the year		**25,000,000**	**9,527,945**	**982,857**	**5,388,140**	**720,764**	**70,629**	**(42,482)**	**1,294,696**	**(220,611)**	**42,721,938**	**7,937,500**	**50,659,438**
2024													
Balance at the beginning of the year		12,053,572	12,053,572	982,857	11,710,958	(633,619)	6,418	(795,882)	1,197,738	(171,616)	36,403,998	5,000,000	41,403,998
Impact on prior years adjustment	44	-	-	-	-	530,896	-	-	-	-	530,896	-	530,896
Restated balance as at January 01, 2024		12,053,572	12,053,572	982,857	11,710,958	(102,723)	6,418	(795,882)	1,197,738	(171,616)	36,934,894	5,000,000	41,934,894
Net income for the year		-	-	-	4,544,071	-	-	-	-	-	4,544,071	-	4,544,071
Net change in the fair value	19	-	-	-	-	176,447	-	(673,668)	-	-	(497,221)	-	(497,221)
Actuarial gain	19	-	-	-	-	-	20,119	-	-	-	20,119	-	20,119
Gain on disposal of FVOCI investment – equity		-	-	-	-	(65,341)	-	-	-	-	(65,341)	-	(65,341)
Net amount transferred to consolidated statement of income	19	-	-	-	-	(28,304)	-	860,994	-	-	832,690	-	832,690
Total comprehensive income for the year		-	-	-	4,544,071	82,802	20,119	187,326	-	-	4,834,318	-	4,834,318
Gain on disposal of FVOCI investment - equity		-	-	-	65,341	-	-	-	-	-	65,341	-	65,341
Bonus shares issued		12,946,428	(5,000,000)	-	(7,946,428)	-	-	-	-	-	-	-	-
Transfer to statutory reserve	18	-	1,136,018	-	(1,136,018)	-	-	-	-	-	-	-	-
Final dividend paid for 2023		-	-	-	-	-	-	-	(1,197,738)	-	(1,197,738)	-	(1,197,738)
Interim dividend paid for 2024	28	-	-	-	(1,199,541)	-	-	-	-	-	(1,199,541)	-	(1,199,541)
Proposed final dividend 2024	28	-	-	-	(1,245,666)	-	-	-	1,245,666	-	-	-	-
Issuance of Tier I sukuk	20	-	-	-	-	-	-	-	-	-	-	3,000,000	3,000,000
Tier I capital related cost		-	-	-	(282,881)	-	-	-	-	-	(282,881)	-	(282,881)
Net change in treasury shares	38	-	-	-	-	-	-	-	-	(16,495)	(16,495)	-	(16,495)
Balance at the end of the year		25,000,000	8,189,590	982,857	4,509,836	(19,921)	26,537	(608,556)	1,245,666	(188,111)	39,137,898	8,000,000	47,137,898

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

Ramzy Darwish
Chief Financial Officer

Bader AlSalloom
Chief Executive Officer

Mazin AlRomaih
Chairman of the Board

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2025 and 2024

⃁ '000	Note	2025	2024
OPERATING ACTIVITIES			
Net income for the year before zakat		**5,989,013**	5,069,326
Adjustments to reconcile net income before zakat to net cash generated from / (used in) operating activities:			
Accretion of discounts on investments not held as FVSI, net		**107,194**	71,638
Gain on FVOCI		**(117,987)**	(93,645)
Depreciation and amortization	9	**332,026**	299,213
Gain on disposal of property, equipment and right of use assets, net		**(36,022)**	(177)
Impairment charge for expected credit losses on loans and advances	7d	**1,381,343**	1,287,934
Impairment charge for investments, financial assets and others, net	7e	**14,633**	35,768
Long term retention and bonus deferral provision		**91,393**	91,154
Operating income before changes in operating assets and liabilities		**7,761,593**	6,761,211
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank	4	**(144,307)**	(466,275)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**960,280**	(887,303)
Investments held as FVSI, trading		**207,263**	(135,975)
Loans and advances		**(12,104,331)**	(26,064,986)
Other assets		**2,431,194**	(1,003,661)
Net increase / (decrease) in operating liabilities:			
Due to Saudi Central Bank, banks and other financial institutions, net		**(19,422,247)**	13,361,589
Customers' deposits		**10,100,910**	12,909,196
Other liabilities		**(1,399,282)**	782,757
		(11,608,927)	5,256,553
Zakat paid		**(524,117)**	(485,412)
Net cash (used in) / generated from operating activities		**(12,133,044)**	4,771,141
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment at FVOCI and amortized cost		**11,479,946**	7,457,959
Purchase of investments at FVOCI and amortized cost		**(18,739,941)**	(18,813,706)
Purchase of property and equipment and RoU	9	**(597,863)**	(579,844)
Proceeds from sale of property and equipment		**76,258**	234
Net cash used in investing activities		**(7,781,600)**	(11,935,357)
FINANCING ACTIVITIES			
Issuance of debt securities and term loans	15	**30,210,205**	6,956,250
Repayment of debt securities and term loans	15	**(7,295,687)**	-
Tier I Sukuk called	20	**(5,000,000)**	-
Issuance of Tier I capital	20	**4,937,500**	3,000,000
Dividends paid	28	**(2,619,956)**	(2,397,279)
Payment of lease liability		**(98,181)**	(93,595)
Tier I capital related cost		**(467,774)**	(282,881)
Purchase of treasury shares		**(123,893)**	(107,649)
Net cash from financing activities		**19,542,214**	7,074,846
Decrease in cash and cash equivalents		**(372,430)**	(89,370)
Cash and cash equivalents at the beginning of the year		**3,029,528**	3,118,898
Cash and cash equivalents at the end of the year	30	**2,657,098**	3,029,528
Special commission received during the year		**17,196,069**	15,883,459
Special commission paid during the year		**8,654,092**	8,988,690
Supplemental non-cash information			
RoU assets		**84,218**	90,806
Lease liability		**33,199**	29,429
Net changes in fair value and transfers to consolidated statement of income	19	**1,350,851**	290,247

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

Ramzy Darwish	Bader AlSalloom	Mazin AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 79 branches (2024: 81 branches) in the Kingdom of Saudi Arabia, employing 3,120 people (2024: 3,056 people).

The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at King Saud Road, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The consolidated financial statements comprise the financial statement of Banque Saudi Fransi and its wholly owned subsidiaries (collectively referred to as the "Group").

Subsidiary	Ownership	Main activities
Saudi Fransi Capital (BSF Capital)	100%	Brokerage, asset management and corporate finance business
Saudi Fransi for Finance Leasing (rebranded from SFL to JB)	100%	Islamic lease financing for vehicles and personal financing
Saudi Fransi Insurance Agency (SAFIA)	100%	Insurance agent for Banque Saudi Fransi in Saudi Arabia (under liquidation)
Sofinco Saudi Fransi	100%	Lease financing of automobiles and household equipment (under liquidation)
Saudi Fransi Digital Ventures (SFDV)	100%	Providing digital services to Banque Saudi Fransi (under liquidation)
Sakan Real Estate Financing	100%	Sakan holds title deeds on behalf of Banque Saudi Fransi (Banque Saudi Fransi holds 95% direct ownership and 5% indirect ownership through its subsidiary)
Sur Multi Family Office Limited	100%	Provides a wide range of wealth management services to BSF's high net worth clients and their families

The above subsidiaries are incorporated in the Kingdom of Saudi Arabia except for Sur Multi Family Office which is registered in United Kingdom.

The Bank also formed subsidiaries, BSF Markets Limited and BSF Finance Limited registered in Cayman Islands having 100% share in equity in each of these subsidiaries. The objective of BSF Markets Limited is derivative trading and Repo activities. BSF Finance Limited is a special purpose vehicle established to raise capital for Banque Saudi Fransi by the issuance of debt instruments.

The Bank has investment in an associate representing shareholding in Banque BEMO Saudi Fransi, incorporated in Syria. Banque Bemo Saudi Fransi offers diverse banking services and solutions to individuals and companies.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group as at and for the year ended December 31, 2025 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management has assessed the impact of the New Companies Law and amended its Articles of Association / By-Laws for changes to align the Articles to the provisions of the Law. General Assembly on December 23, 2024 approved on amending the Bank's Bylaws to comply with the new Companies Law, and rearranging the articles and numbering them to be compatible with the proposed amendments.

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, financial instruments held at Fair Value through Statement of Income (FVSI), Fair Value through Other Comprehensive Income (FVOCI) investments, liabilities for cash-settled-share based payments and defined benefit obligations. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged.

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

c) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the intention and resources to continue in business for the foreseeable future. In making the going concern assessment, the Group has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources, etc. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

d) Functional and presentation currency

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

e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional 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.

2. Basis of preparation (continued)

Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(i) Expected credit losses ("ECL") on financial assets

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

The 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:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

- The Group's internal credit grading model, which assigns Probability of Default (PD) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas, and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Fair value measurement (note 36)
iii) Impairment of FVOCI investments (note 33)
iv) Determination of control over investees
v) Depreciation and amortization (note 9)
vi) Defined benefit plan (note 31)
vii) Equity vs liability (note 20)

3. Material accounting policies

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

3.1 Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2024. Based on the adoption of new standards and in consideration of current economic environment, the following accounting policies are applicable effective January 01, 2025 replacing, amending or adding to the corresponding accounting policies set out in 2024 annual consolidated financial statements.

3. Material accounting policies (continued)

New standards, interpretations and amendments to accounting standards adopted by the Group

Following standard, interpretation or amendment are effective from the annual reporting period beginning on January 01, 2025 and are adopted by the Group, however, these do not have any impact on the consolidated financial statements of the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 01, 2025

New Standards not yet effective

Standard, interpretation, amendments	Description	Effective date
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 01, 2026
Amendments to IFRS 9 and IFRS 7 Contracts referencing Nature-dependent Electricity	Contracts Referencing Nature-dependent Electricity amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to more faithfully reflect the effects of contracts referencing nature-dependent electricity on an entity’s financial statements.	January 01, 2026

3. Material accounting policies (continued)

Standard, interpretation, amendments	Description	Effective date
Annual improvements to IFRS – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.	January 01, 2026
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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 01, 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 01, 2027

3.2 Accounting policies

A. Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries (the Group), i.e. Saudi Fransi Capital (BSF Capital), Saudi Fransi for Finance Leasing (JB), Sakan real estate financing, BSF Markets Limited, BSF Finance Limited and Sur Multi Family Office. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Saudi Fransi Insurance Agency, Sofinco Saudi Fransi and Saudi Fransi Digital Ventures financial statements have been prepared on liquidation basis.

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.

3. Material accounting policies (continued)

Control is achieved when the Group is exposed, 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.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Balances between the Bank and its subsidiaries including any income, expenses, assets, liabilities, equities and cashflow arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3. Material accounting policies (continued)

(i) List of significant subsidiaries

The table below provides details of the major subsidiaries of the Group:

Name of the subsidiary	Principal place of business	Ownership interest	
		2025	2024
Saudi Fransi Capital (BSF Capital)	Kingdom of Saudi Arabia	**100%**	100%
Saudi Fransi for Finance Leasing (J-B)	Kingdom of Saudi Arabia	**100%**	100%

Apart from the above subsidiaries, the Bank also owns Saudi Fransi Insurance Agency, Sakan Real Estate Financing, Sofinco Saudi Fransi, BSF Markets Limited, BSF Finance Limited, Saudi Fransi Digital Ventures, and Sur Multi Family Office having 100% share in equity. BSF Markets Limited and BSF Finance Limited are incorporated in the Cayman Islands. Sofinco Saudi Fransi, Saudi Fransi Insurance Agency, Sakan Real Estate Financing and Saudi Fransi Digital Ventures have no material impact on the Group financial statements.

All subsidiaries are 100% owned by the Group hence no non-controlling interest is recognised in these consolidated financial statements.

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 these funds

(ii) Significant restriction

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate.

B. Investment in associates

Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting.

An associate is an entity in which the Bank has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the statement of financial position at cost, plus post-acquisition changes in the Bank’s share of net assets of the associate, less any impairment in the value of individual investments. The Bank’s shares 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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Bank’s share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. Material accounting policies (continued)

The statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

When the Bank ceases to equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

C. Classification of financial assets

On initial recognition, a financial asset is classified into following categories: amortized cost, FVOCI or FVSI.

Financial asset at amortized cost

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial Asset at Fair value through other comprehensive income (FVOCI)

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

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 consolidated statement of income.

3. Material accounting policies (continued)

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.

Financial asset at Fair value through statement of income (FVSI)

All financial assets not classified as measured at amortised cost or FVOCI are classified at FVSI.

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual 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 FVSI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Material accounting policies (continued)

Assessments whether contractual cash flows are solely payments of principal and interest

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 risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

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

Designation at FVSI

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

Reclassification

Reclassification of financial assets is warranted when business model for managing financial assets is changed.

The following are not considered to be changes in business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the Group’s assets with different business models.

Conditions for reclassification of financial assets

Reclassifications are expected to be infrequent. Such changes must be determined by the Group’s senior management and approved by the Board Executive Committee as a result of external or internal changes and must be significant to Group’s operations and demonstrable to external parties. Accordingly, a change in Group’s business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group acquires, disposes of or terminates a business line.

Timing of reclassification of financial assets

If the Group reclassifies financial assets, it is required to apply the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in reclassification. On reclassification, all previously recognized gains, losses (including impairment gains or losses) or profits are not restated. A change in the objective of the Group’s business model must be affected before the reclassification date.

3. Material accounting policies (continued)

Financial assets reclassification impact

From	To	Requirement
Amortized Cost	FVSI	Measure fair value at reclassification date and recognize difference between fair value and Amortized Cost in statement of income
Amortized Cost	FVOCI	Measure fair value at reclassification date and recognize any difference in OCI
FVOCI	Amortized Cost	Cumulative gain or loss previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date
FVOCI	FVSI	Asset continues to be recognized at fair value and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to statement of income
FVSI	Amortized Cost	Fair value at the reclassification date becomes the new gross carrying amount
FVSI	FVOCI	Asset continues to be measured at fair value but subsequent gains and losses are recognized in OCI rather than statement of income

D. Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees, letter of credit and loan commitments, as measured at amortized cost. Amortized cost is calculated by considering any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of income.

E. Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally 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 any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

F. Derecognition

Financial assets

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

3. Material accounting policies (continued)

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset (Debt Instruments), 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.

The Group securitizes various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in other revenue.

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

Financial liabilities

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

G. Modifications of financial assets and financial liabilities

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 and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

3. Material accounting policies (continued)

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in statement of income as part of the gain or loss on derecognition.

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

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 of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

H. Impairment

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

- financial assets that are debt instruments
- lease receivables
- financial guarantee contracts issued
- loan commitments issued
- loans and advances & due from banks and other financial institutions
- letters of credit

Equity instruments are not subject to impairment.

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'.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

3. Material accounting policies (continued)

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

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

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the 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 other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate
- lease receivables: the discount rate used in measuring lease receivables.
- 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, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

3. Material accounting policies (continued)

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 including lease receivables are carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In assessing 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.

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 amortized cost: as a deduction from the gross carrying amount of the assets;

- loan commitments, letter of credit 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

3. Material accounting policies (continued)

- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

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

Recoveries of amounts previously written off are recognised when the cash is received and are included in “Impairment charge for expected credit losses on loans and advances, net” in the consolidated statement of income

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

I. Financial guarantees, letter of credits 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.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

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

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

Financial guarantees issued or commitments to provide loan at a below market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognized.

- The Group issued no loan commitment that are measured at FVSI.
- Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

J. Derivatives financial instruments and hedge accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, and currency and commission rate options (both written and purchased) are 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.

3. Material accounting policies (continued)

The Group is using IAS-39 for Hedge Accounting.

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

(ii) Embedded derivatives

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

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

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(iii) Hedge accounting

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

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

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

3. Material accounting policies (continued)

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. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

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 income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

Fair value hedges

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

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

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate and small business loans, fixed rate debt instruments at FVOCI and fixed rate issued long-term deposits. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively.

If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI.

3. Material accounting policies (continued)

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

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

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

K. Foreign currencies

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

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

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

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

3. Material accounting policies (continued)

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

All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity.

Foreign currency differences arising from the translation of the following items are recognized in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI; and
- qualifying cash flow hedges to the extent that the hedge is effective.

As at the reporting date, the assets and liabilities of foreign operations are translated into Saudi Arabian Riyals at the rate of exchange as at the statement of financial position date, and their consolidated statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of income.

L. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position as the Group retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Group. These assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI and other investments held at amortized cost.

The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in “Due to SAMA” or “Due to banks and other financial institutions” or “Customer deposits”, as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the 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”, “Due from banks and other financial institutions” or “Loans and advances”, as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

3. Material accounting policies (continued)

M. Settlement and trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized in the consolidated statement of financial position on the settlement date i.e. the date on which the asset is acquired from or delivered to the counter party. The Group accounts for any change in fair value which is recognized from the trade date.

Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or follow convention in the market place.

All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

N. Fair value measurement

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

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 in the principle or, in its absence, the most advantageous market to which the Group has access at that date. The Fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

A fair value measurement of a non-financial asset considers 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3. Material accounting policies (continued)

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of front office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- calibration of model valuations;
- a review and approval process for new models and changes to models involving Risk Division

To dynamically address valuation issues, ALCO (Assets & Liabilities Committee) is held, a Valuation Sub-Committee may be held to review and determine by consensus adjustments of valuation methodologies at the request of ALCO members.

O. Deposits, debt securities issued and subordinated liabilities

When the Group designates a financial liability as at FVSI, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in statement of income. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on statement of income of expected changes in fair value of the related instruments.

P. Tier I Capital

The determination of equity classification of Tier I Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies Sukuk issued (as equity) 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 Group subject to certain terms and conditions and essentially mean that the remedies available to sukuk holders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

Q. Dividends

A liability is recognized for the amount of dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

R. Property and equipment

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

3. Material accounting policies (continued)

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

The cost of other property and equipment is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	Over the lease period or economic life whichever is shorter
Furniture, equipment and vehicles	4 to10 years
Safes and generators	20 to 40 years
Software program and automation project	3 to 12 years

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

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

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

Software (Intangible Assets)

Intangible assets comprise of internally developed software and externally acquired software's. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use.
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits. Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised (straight line) from the point at which the asset is ready for use.

S. Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estates are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances and the current fair value of the related properties, less any costs to sell (if material). No depreciation is charged on such real estate. Rental income from other real estate is recognised in the consolidated statement of income.

3. Material accounting policies (continued)

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation 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 in the consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of 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 Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

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

Assets determined to be useful for the internal operations are transferred to their relevant asset category at fair value. 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 Group's policy.

In its normal course of business, the Group 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.

T. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for litigation and claims

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

3. Material accounting policies (continued)

U. Accounting for leases

Right of Use Asset (RoU) / Lease Liabilities

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

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

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

I. increasing the carrying amount to reflect interest on the lease liability
II. reducing the carrying amount to reflect the lease payments made and;
II. 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 remeasured 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

3. Material accounting policies (continued)

Short-term leases and leases of low-value assets

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

V. Cash and cash equivalents

For the purpose of the statement of cash flows, “cash and cash equivalents” include notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

W. End of service benefits

Benefits payable to the employees of the Group at the end of their services are accrued based on actuarial valuation conducted by an independent actuary, taking into account the provision of the Saudi Arabian Labor Law.

Net obligation, with respect to end of service benefits, to the Group is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under ‘salaries and employee related expenses’ in the consolidated statement of income.

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

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

X. Short term employee benefits

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

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

Y. Treasury shares and share based payment to employee

These are recorded 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. Subsequent to their acquisition, these are carried at the amount equal to consideration paid. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

3. Material accounting policies (continued)

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

The Group has adopted the equity-settled share-based payments to employees under the retention plan. The Group recognises a cost /expense over the vesting period and a corresponding entry to equity and measurement is based on the grant-date fair value of the equity instruments granted. Market and non-vesting conditions are reflected in the initial measurement of fair value with no subsequent true-up if the conditions are not satisfied.

Z. Zakat

Zakat

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

Value Added tax (“VAT”)

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

AA. Investment management, brokerage and corporate finance services

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

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

AB. Islamic banking products

In addition to the conventional banking products, the Group offers its customers certain non-commission based banking products, which are approved by its Shariah Board, as follows:

High level definitions of non-commission based banking products

i) **Murabaha** is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank 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) **Mudarabah** is an agreement between the Bank and a customer whereby the Bank invests in a specific transaction. The Bank is called “rabb-ul-mal” while the management and work is exclusive responsibility of the customer who is called “mudarib”. The profit is shared as per the terms of the agreement but the loss is borne by the Bank.

3. Material accounting policies (continued)

iii) **Istisna'a** is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

iv) **Ijarah** is an agreement whereby the Bank, 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.

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

vi) **Tawarruq** is a form of Murabaha transactions where the Bank 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.

These non-commission based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

AC. Government grants

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest 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 carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in consolidated statement of income on a systematic basis over the periods in which the Group 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 Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

AD. Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss 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 or the amortized cost 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 loyalty / reward 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.

3. Material accounting policies (continued)

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

All fees paid or received between parties to the contract (e.g. between a lender and a borrower) that are included in the calculation of the effective interest rate (EIR) are amortized over the expected life of the financial instrument, unless they relate to a shorter period. The shorter period is used when the variable to which the fees, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. For financial instruments measured at FVSI, fees are recognised in consolidated statement of income in full when the instrument is initially recognised.

Measurement of amortized cost and special commission income and expense

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective 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 amortized 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 amortized 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 amortized 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 amortized 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.

AE. Fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the special commission income / expense as applicable.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

3. Material accounting policies (continued)

The Group has concluded that revenue from rendering of various services related to share trading, corporate finance and advisory and other banking services, is recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas revenue from trade finance, fund management and fee services related to credit card is recognized 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 a 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 claw backs, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligations, 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 based on services rendered under the applicable service contract.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of the 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).

3. Material accounting policies (continued)

AF. Customer Loyalty Program

The Group offers customer loyalty program (reward points / air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed for certain Partner outlets. The Group allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative standalone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

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

AG. Exchange income / (loss)

Exchange income / loss is recognised as discussed in foreign currencies policy above.

AH. Trading income / (loss)

Net income from other financial instruments at FVSI relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVSI.

Results arising from trading activities include all gains and losses from changes in fair values, related special commission income or expense including dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

AI. Dividend income

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

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

AJ. Credit value adjustment

Credit Value adjustment (CVA) is the adjustment made to the fair value of financial instruments to account for the impact of counterparty credit risk on those instruments. Credit Valuation Adjustment (CVA) is the market value of counterparty credit risk embedded in derivative instruments. It reflects the expected loss due to a counterparty's potential default, adjusted for netting and collateral agreements.

This applies to all over-the-counter (OTC) derivatives and structured products that are subject to counterparty credit risk and are measured at fair value through profit and loss or other comprehensive income. CVA is calculated and reflected as part of the fair valuation of derivative instruments and counterparty risk in line with applicable accounting standards.

CVA is calculated as the expected exposure (EE) multiplied by the probability of default (PD) and the loss given default (LGD). Exposure profiles are modeled using potential future exposure (PFE) simulations where applicable.

- Credit spreads used in the calculation are sourced from Risk Strategy team.
- Netting and collateral agreements (CSAs) are factored into the exposure profiles.
- CVA calculations are performed as per CCR (Counterparty Credit Risk) methodology by Risk management group.

Any changes to CVA models or assumptions are approved by the ALCO.

4. Cash and balances with Saudi Central Bank

⃁ '000	2025	2024
Cash on hand	**849,676**	874,134
Current account	**-**	109,209
Statutory deposit	**10,081,570**	9,937,263
Total	**10,931,246**	10,920,606

Cash and balances with Saudi Central Bank include Islamic related products of ⃁ Nil million (2024: ⃁ Nil million).

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

5. Due from banks and other financial institutions, net

⃁ '000	2025	2024
Current accounts	**1,807,728**	2,026,792
Money market placements	**2,009,660**	2,989,639
	3,817,388	5,016,431
Less: impairment	**(616)**	(621)
Total	**3,816,772**	5,015,810

The credit quality of due from banks and other financial institutions is managed using reputable external credit rating agencies.

Due from banks and other financial institutions include Islamic related products of ⃁ 1,412 million (2024: ⃁ 939 million).

The following table shows the gross carrying amount of the due from banks and other financial institutions.

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**5,012,801**	**3,630**	**-**	**5,016,431**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**(1,212,637)**	**13,594**	**-**	**(1,199,043)**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**3,800,164**	**17,224**	**-**	**3,817,388**

5. Due from banks and other financial institutions, net (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01, 2024	4,106,233	7,837	-	4,114,070
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	906,568	(4,207)	-	902,361
Write-offs	-	-	-	-
Balance as at December 31, 2024	5,012,801	3,630	-	5,016,431

The following table shows reconciliations from the opening to the closing balance of impairment on due from banks and other financial institutions.

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at January 01, 2025	**462**	**159**	**-**	**621**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net (reversal) / charge for the year	**(113)**	**108**	**-**	**(5)**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**349**	**267**	**-**	**616**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01, 2024	590	315	-	905
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net reversal for the year	(128)	(156)	-	(284)
Write-offs	-	-	-	-
Balance as at December 31, 2024	462	159	-	621

6. Investments, net

a) Investment securities are classified as follows:

⃁ '000	2025	2024 (restated)
Investment at amortized cost – gross	**29,140,342**	27,695,178
Less: impairment	**(19,983)**	(17,013)
Investment at amortized cost, net	**29,120,359**	27,678,165
Investments at FVOCI – Debt instruments	**37,304,098**	30,893,022
Investments at FVOCI – Equity/ other investments	**2,106,597**	1,890,655
Total FVOCI	**39,410,695**	32,783,677
Investment at FVSI – Debt instruments and equity	**150,649**	357,912
Total	**68,681,703**	60,819,754

b) Investments held at fair value through statement of income (FVSI)

Investments by type of securities

⃁ '000	Domestic		International		Total	
	2025	2024	2025	2024	2025	2024
Fixed-rate securities	**145,797**	357,912	**-**	-	**145,797**	357,912
Floating-rate securities	**-**	-	**-**	-	**-**	-
Equities	**4,852**	-	**-**	-	**4,852**	-
Total	**150,649**	357,912	**-**	-	**150,649**	357,912

The analysis of the composition of investments is as follows:

⃁ '000	2025			2024		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed-rate securities	**145,797**	**-**	**145,797**	357,912	-	357,912
Floating-rate securities	**-**	**-**	**-**	-	-	-
Equities	**4,852**	**-**	**4,852**	-	-	-
Total	**150,649**	**-**	**150,649**	357,912	-	357,912

c) Investments held at fair value through other comprehensive income (FVOCI)

Investments by type of securities

⃁ '000	Domestic		International		Total	
	2025	2024 (restated)	2025	2024	2025	2024 (restated)
Fixed-rate securities	**24,700,913**	16,381,859	**9,018,697**	10,630,748	**33,719,610**	27,012,607
Floating-rate securities	**3,038,830**	3,072,313	**545,658**	808,102	**3,584,488**	3,880,415
Equities and other investments	**1,699,855**	1,880,062	**406,742**	10,593	**2,106,597**	1,890,655
Total	**29,439,598**	21,334,234	**9,971,097**	11,449,443	**39,410,695**	32,783,677

6. Investments, net (continued)

The analysis of the composition of investments is as follows:

⃁ '000	2025			2024 (restated)		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**33,665,207**	**54,403**	**33,719,610**	27,012,607	-	27,012,607
Floating-rate securities	**1,079,680**	**2,504,808**	**3,584,488**	1,302,624	2,577,791	3,880,415
Equities and other investments	**568,420**	**1,538,177**	**2,106,597**	630,039	1,260,616	1,890,655
Investments at FVOCI, net	**35,313,307**	**4,097,388**	**39,410,695**	28,945,270	3,838,407	32,783,677

The following table shows the type of assets:

⃁ '000	Domestic		International		Total	
	2025	2024 (restated)	**2025**	2024	**2025**	2024 (restated)
Debt instruments	**27,739,743**	19,454,172	**9,564,355**	11,438,850	**37,304,098**	30,893,022
Equity and other investments	**1,699,855**	1,880,062	**406,742**	10,593	**2,106,597**	1,890,655
Total	**29,439,598**	21,334,234	**9,971,097**	11,449,443	**39,410,695**	32,783,677

Equity and other investments include Tier I instruments amounting to ⃁ 848 million (2024: ⃁ 931 million).

The Group designated investments disclosed in the above table as equity securities at FVOCI on initial recognition. The FVOCI designation was made because the equity investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

d) Investments held at amortised cost

Investments by type of securities

⃁ '000	Domestic		International		Total	
	2025	2024	**2025**	2024	**2025**	2024
Fixed-rate securities	**28,282,283**	26,839,229	**-**	-	**28,282,283**	26,839,229
Floating-rate securities	**838,076**	838,936	**-**	-	**838,076**	838,936
Investments held at amortized cost, net	**29,120,359**	27,678,165	**-**	-	**29,120,359**	27,678,165

The analysis of the composition of investments is as follows:

⃁ '000	2025			2024		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**22,278,825**	**6,003,458**	**28,282,283**	21,334,634	5,504,595	26,839,229
Floating-rate securities	**605,880**	**232,196**	**838,076**	606,466	232,470	838,936
Investments held at amortized cost, net	**22,884,705**	**6,235,654**	**29,120,359**	21,941,100	5,737,065	27,678,165

6. Investments, net (continued)

e) The reconciliations from the opening to the closing balance of gross carrying value of Debt instrument held at FVOCI and amortized cost

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt instrument investments				
Balance at January 01	**58,588,200**	**-**	**-**	**58,588,200**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Transfer from lifetime ECL credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**7,856,240**	**-**	**-**	**7,856,240**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**66,444,440**	**-**	**-**	**66,444,440**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt instrument investments				
Balance at January 01	47,905,926	-	-	47,905,926
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the year	10,682,274	-	-	10,682,274
Write-offs	-	-	-	-
Balance as at December 31, 2024	58,588,200	-	-	58,588,200

Amortized cost

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**27,695,178**	**-**	**-**	**27,695,178**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**1,445,164**	**-**	**-**	**1,445,164**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**29,140,342**	**-**	**-**	**29,140,342**

6. Investments, net (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	24,656,529	-	-	24,656,529
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	3,038,649	-	-	3,038,649
Write-offs	-	-	-	-
Balance as at December 31, 2024	27,695,178	-	-	27,695,178

FVOCI – Debt instruments

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**30,893,022**	**-**	**-**	**30,893,022**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**6,411,076**	**-**	**-**	**6,411,076**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**37,304,098**	**-**	**-**	**37,304,098**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	23,249,397	-	-	23,249,397
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	7,643,625	-	-	7,643,625
Write-offs	-	-	-	-
Balance as at December 31, 2024	30,893,022	-	-	30,893,022

6. Investments, net (continued)

f) The reconciliations from the opening to the closing balance of ECL on Debt instruments held at FVOCI and amortized cost:

An analysis of changes in loss allowance for Debt instruments is as follows:

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**44,582**	**-**	**-**	**44,582**
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net charge for the year	**7,579**	**-**	**-**	**7,579**
Write-offs	-	-	-	-
Balance as at December 31, 2025	**52,161**	**-**	**-**	**52,161**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	33,739	-	-	33,739
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net charge for the year	10,843	-	-	10,843
Write-offs	-	-	-	-
Balance as at December 31, 2024	44,582	-	-	44,582

An analysis of changes in loss allowance by each class of Debt instruments is as follows:

Amortized cost

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**17,013**	**-**	**-**	**17,013**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**2,970**	**-**	**-**	**2,970**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**19,983**	**-**	**-**	**19,983**

6. Investments, net (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	16,311	-	-	16,311
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge for the year	702	-	-	702
Write-offs	-	-	-	-
Balance as at December 31, 2024	17,013	-	-	17,013

FVOCI

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**27,569**	**-**	**-**	**27,569**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**4,609**	**-**	**-**	**4,609**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**32,178**	**-**	**-**	**32,178**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	17,428	-	-	17,428
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge for the year	10,141	-	-	10,141
Write-offs	-	-	-	-
Balance as at December 31, 2024	27,569	-	-	27,569

6. Investments, net (continued)

The provision balance of FVOCI is recorded under Other reserves – FVOCI.

g) Investments by type of securities

⃁ '000	Domestic		International		Total	
	2025	2024 (restated)	**2025**	2024	**2025**	2024 (restated)
Fixed-rate securities	**53,148,424**	43,595,439	**9,018,697**	10,630,748	**62,167,121**	54,226,187
Floating-rate securities	**3,877,458**	3,911,823	**545,658**	808,102	**4,423,116**	4,719,925
Equities and other investments	**1,704,707**	1,880,062	**406,742**	10,593	**2,111,449**	1,890,655
Allowance for impairment	**(19,983)**	(17,013)	**-**	-	**(19,983)**	(17,013)
Total	**58,710,606**	49,370,311	**9,971,097**	11,449,443	**68,681,703**	60,819,754

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

⃁ '000	2025			2024 (restated)		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**56,092,001**	**6,075,120**	**62,167,121**	48,707,213	5,518,974	54,226,187
Floating-rate securities	**1,685,579**	**2,737,537**	**4,423,116**	1,909,149	2,810,776	4,719,925
Equities and other investments	**573,272**	**1,538,177**	**2,111,449**	630,039	1,260,616	1,890,655
	58,350,852	**10,350,834**	**68,701,686**	51,246,401	9,590,366	60,836,767
Allowance for impairment	**(2,191)**	**(17,792)**	**(19,983)**	(2,120)	(14,893)	(17,013)
Total	**58,348,661**	**10,333,042**	**68,681,703**	51,244,281	9,575,473	60,819,754

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

⃁ '000	**2025**	2024 (restated)
Government and quasi government	**51,122,647**	44,560,616
Corporate	**6,357,728**	5,694,669
Banks and other financial institutions	**11,201,328**	10,564,469
Total	**68,681,703**	60,819,754

j) Shariah based investments:

Investment securities designated as at FVOCI:

⃁ '000	**2025**	2024
Debt instruments		
Sukuk	**22,860,429**	14,197,440
Total	**22,860,429**	14,197,440

6. Investments, net (continued)

Investments held at amortised cost:

⃁ '000	2025	2024
Debt instruments		
Sukuk	**25,399,355**	24,307,596
Other	**1,131,395**	634,925
Allowance for impairment	**(19,773)**	(16,762)
Total	**26,510,977**	24,925,759

Trading Investment securities include Islamic related products of ⃁ 107 million (2024: ⃁ 358 million).

k) Investments by type of Instruments:

⃁ '000	2025	2024 (restated)
Bonds	**17,092,011**	19,447,987
Sukuk	**48,352,504**	38,849,361
Equities & funds	**2,111,449**	1,890,655
Others	**1,125,739**	631,751
Total	**68,681,703**	60,819,754

7. Loans and advances, net

a) Loans and advances are classified as follows:

Held at Amortized cost

⃁ '000	2025			
	Overdraft & Commercial Loans	**Credit Cards**	**Consumer Loans**	**Total**
Performing loans and advances – gross	**171,986,137**	**957,776**	**43,608,855**	**216,552,768**
Non-performing loans and advances, net	**1,724,240**	**37,999**	**356,884**	**2,119,123**
Total loans and advances	**173,710,377**	**995,775**	**43,965,739**	**218,671,891**
Allowance for impairment	**(3,302,389)**	**(53,919)**	**(424,320)**	**(3,780,628)**
Loans and advances held at amortised cost, net	**170,407,988**	**941,856**	**43,541,419**	**214,891,263**

7. Loans and advances, net (continued)

⃁ '000	2024			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	167,950,716	724,210	37,073,642	205,748,568
Non-performing loans and advances, net	1,637,925	24,568	272,006	1,934,499
Total loans and advances	169,588,641	748,778	37,345,648	207,683,067
Allowance for impairment	(3,118,432)	(44,235)	(352,125)	(3,514,792)
Loans and advances held at amortised cost, net	166,470,209	704,543	36,993,523	204,168,275

An unwinding modification loss of ⃁ 7 million (2024: ⃁ 28 million) is included as part of loan and advances.

The below table shows the loans and advances break up by product categories:

⃁ '000	**2025**						
	Overdraft & Commercial Loans		**Consumer Loans**				**Total**
	Corporate Loans	**Micro, small and medium enterprises**	**Personal**	**Mortgage**	**Credit Cards**	**Auto Lease**	
Performing loans and advances – gross	**157,551,212**	**14,434,925**	**13,782,391**	**22,223,709**	**957,776**	**7,602,755**	**216,552,768**
Non-performing loans and advances, net	**1,391,674**	**332,566**	**265,699**	**70,606**	**37,999**	**20,579**	**2,119,123**
Total loans and advances	**158,942,886**	**14,767,491**	**14,048,090**	**22,294,315**	**995,775**	**7,623,334**	**218,671,891**
Allowance for impairment	**(2,900,282)**	**(402,107)**	**(193,305)**	**(58,848)**	**(53,919)**	**(172,167)**	**(3,780,628)**
Loans and advances held at amortised cost, net	**156,042,604**	**14,365,384**	**13,854,785**	**22,235,467**	**941,856**	**7,451,167**	**214,891,263**

⃁ '000	2024						
	Overdraft & Commercial Loans		Consumer Loans				Total
	Corporate Loans	Micro, small and medium enterprises	Personal	Mortgage	Credit Cards	Auto Lease	
Performing loans and advances – gross	156,277,663	11,673,053	12,298,831	17,953,719	724,210	6,821,092	205,748,568
Non-performing loans and advances, net	1,467,397	170,528	209,908	41,669	24,568	20,429	1,934,499
Total loans and advances	157,745,060	11,843,581	12,508,739	17,995,388	748,778	6,841,521	207,683,067
Allowance for impairment	(2,743,099)	(375,333)	(191,968)	(53,255)	(44,235)	(106,902)	(3,514,792)
Loans and advances held at amortised cost, net	155,001,961	11,468,248	12,316,771	17,942,133	704,543	6,734,619	204,168,275

7. Loans and advances, net (continued)

The above includes Shariah based loans and advances as below:

⃁ '000	2025	2024
Overdraft & Commercial Loans		
Tawarruq	**92,044,824**	87,567,348
Murabaha	**19,067,019**	20,410,020
Others	**7,596,571**	10,483,362
Allowance for impairment	**(1,302,252)**	(1,144,901)
Total	**117,406,162**	117,315,829

⃁ '000	2025	2024
Credit Card & Consumer Loans		
Tawarruq	**24,353,500**	20,198,185
Murabaha	**11,196,867**	9,754,954
Others	**8,569,314**	7,267,197
Allowance for impairment	**(424,865)**	(342,202)
Total	**43,694,816**	36,878,134

b) The reconciliations from the opening to the closing balance of gross carrying value of Loans and advances

An analysis of changes in gross carrying value for Loans and Advances is, as follows:

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**193,863,171**	**11,731,130**	**2,088,766**	**207,683,067**
Transfer from 12-month ECL	**(4,495,163)**	**4,041,660**	**453,503**	**-**
Transfer from lifetime ECL not credit impaired	**1,560,149**	**(2,513,552)**	**953,403**	**-**
Transfer from Lifetime ECL credit impaired	**31,633**	**30,522**	**(62,155)**	**-**
Net change for the year	**12,364,550**	**(475,874)**	**215,655**	**12,104,331**
Write-offs	**-**	**-**	**(1,115,507)**	**(1,115,507)**
Balance as at December 31, 2025	**203,324,340**	**12,813,886**	**2,533,665**	**218,671,891**

7. Loans and advances, net (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	167,788,441	12,277,226	1,969,546	182,035,213
Transfer from 12-month ECL	(3,481,080)	3,269,612	211,468	-
Transfer from lifetime ECL not credit impaired	1,212,596	(1,979,200)	766,604	-
Transfer from Lifetime ECL credit impaired	24,495	171,293	(195,788)	-
Net change for the year	28,318,719	(2,007,801)	(245,932)	26,064,986
Write-offs	-	-	(417,132)	(417,132)
Balance as at December 31, 2024	193,863,171	11,731,130	2,088,766	207,683,067

An analysis of changes in gross carrying value by product categories is, as follows:

Overdraft & Commercial Loans

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**156,545,338**	**11,327,349**	**1,715,954**	**169,588,641**
Transfer from 12-month ECL	**(3,812,243)**	**3,661,245**	**150,998**	**-**
Transfer from lifetime ECL not credit impaired	**1,382,276**	**(2,262,506)**	**880,230**	**-**
Transfer from Lifetime ECL credit impaired	**-**	**21,792**	**(21,792)**	**-**
Net change for the year	**5,415,031**	**(528,962)**	**75,030**	**4,961,099**
Write-offs	**-**	**-**	**(839,363)**	**(839,363)**
Balance as at December 31, 2025	**159,530,402**	**12,218,918**	**1,961,057**	**173,710,377**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	135,708,078	11,917,850	1,738,176	149,364,104
Transfer from 12-month ECL	(3,055,360)	3,049,125	6,235	-
Transfer from lifetime ECL not credit impaired	1,060,143	(1,769,193)	709,050	-
Transfer from Lifetime ECL credit impaired	3	166,864	(166,867)	-
Net change for the year	22,832,474	(2,037,297)	(330,977)	20,464,200
Write-offs	-	-	(239,663)	(239,663)
Balance as at December 31, 2024	156,545,338	11,327,349	1,715,954	169,588,641

7. Loans and advances, net (continued)

Credit Cards

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**696,839**	**16,488**	**35,451**	**748,778**
Transfer from 12-month ECL	**(48,455)**	**20,149**	**28,306**	**-**
Transfer from lifetime ECL not credit impaired	**4,753**	**(12,907)**	**8,154**	**-**
Transfer from Lifetime ECL credit impaired	**3,023**	**1,387**	**(4,410)**	**-**
Net change for the year	**255,188**	**7,553**	**2,316**	**265,057**
Write-offs	**-**	**-**	**(18,060)**	**(18,060)**
Balance as at December 31, 2025	**911,348**	**32,670**	**51,757**	**995,775**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	637,900	23,226	26,206	687,332
Transfer from 12-month ECL	(25,986)	9,352	16,634	-
Transfer from lifetime ECL not credit impaired	9,589	(18,674)	9,085	-
Transfer from Lifetime ECL credit impaired	2,414	408	(2,822)	-
Net change for the year	72,922	2,176	6,365	81,463
Write-offs	-	-	(20,017)	(20,017)
Balance as at December 31, 2024	696,839	16,488	35,451	748,778

Consumer Loans

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**36,620,994**	**387,293**	**337,361**	**37,345,648**
Transfer from 12-month ECL	**(634,465)**	**360,266**	**274,199**	**-**
Transfer from lifetime ECL not credit impaired	**173,120**	**(238,139)**	**65,019**	**-**
Transfer from Lifetime ECL credit impaired	**28,610**	**7,343**	**(35,953)**	**-**
Net change for the year	**6,694,331**	**45,535**	**138,309**	**6,878,175**
Write-offs	**-**	**-**	**(258,084)**	**(258,084)**
Balance as at December 31, 2025	**42,882,590**	**562,298**	**520,851**	**43,965,739**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	31,442,463	336,150	205,164	31,983,777
Transfer from 12-month ECL	(399,734)	211,135	188,599	-
Transfer from lifetime ECL not credit impaired	142,864	(191,333)	48,469	-
Transfer from Lifetime ECL credit impaired	22,078	4,021	(26,099)	-
Net change for the year	5,413,323	27,320	78,680	5,519,323
Write-offs	-	-	(157,452)	(157,452)
Balance as at December 31, 2024	36,620,994	387,293	337,361	37,345,648

7. Loans and advances, net (continued)

c) Movement in allowance for impairment of credit losses are classified as follows:

An analysis of changes in loss allowance for Loans and Advances is, as follows:

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**945,871**	**1,247,200**	**1,321,721**	**3,514,792**
Transfer from 12-month ECL	**(26,900)**	**22,619**	**4,281**	**-**
Transfer from lifetime ECL not credit impaired	**38,608**	**(303,783)**	**265,175**	**-**
Transfer from Lifetime ECL credit impaired	**13,556**	**14,990**	**(28,546)**	**-**
Net (reversal) / charge for the year	**(139,853)**	**182,070**	**1,339,126**	**1,381,343**
Write-offs	**-**	**-**	**(1,115,507)**	**(1,115,507)**
Balance as at December 31, 2025	**831,282**	**1,163,096**	**1,786,250**	**3,780,628**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	509,846	849,666	1,284,478	2,643,990
Transfer from 12-month ECL	(8,925)	7,473	1,452	-
Transfer from lifetime ECL not credit impaired	20,890	(64,289)	43,399	-
Transfer from Lifetime ECL credit impaired	12,673	160,671	(173,344)	-
Net charge for the year	411,387	293,679	582,868	1,287,934
Write-offs	-	-	(417,132)	(417,132)
Balance as at December 31, 2024	945,871	1,247,200	1,321,721	3,514,792

An analysis of changes in loss allowance by product is, as follows:

Overdraft & Commercial Loans

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**839,146**	**1,205,919**	**1,073,367**	**3,118,432**
Transfer from 12-month ECL	**(20,906)**	**19,784**	**1,122**	**-**
Transfer from lifetime ECL not credit impaired	**25,716**	**(282,123)**	**256,407**	**-**
Transfer from Lifetime ECL credit impaired	**-**	**11,494**	**(11,494)**	**-**
Net (reversal) / charge for the year	**(92,768)**	**158,902**	**957,186**	**1,023,320**
Write-offs	**-**	**-**	**(839,363)**	**(839,363)**
Balance as at December 31, 2025	**751,188**	**1,113,976**	**1,437,225**	**3,302,389**

7. Loans and advances, net (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	430,341	805,555	1,132,263	2,368,159
Transfer from 12-month ECL	(5,949)	5,947	2	-
Transfer from lifetime ECL not credit impaired	4,376	(38,553)	34,177	-
Transfer from Lifetime ECL credit impaired	1	158,411	(158,412)	-
Net charge for the year	410,377	274,559	305,000	989,936
Write-offs	-	-	(239,663)	(239,663)
Balance as at December 31, 2024	839,146	1,205,919	1,073,367	3,118,432

Credit Cards

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**16,575**	**2,887**	**24,773**	**44,235**
Transfer from 12-month ECL	**(1,234)**	**497**	**737**	**-**
Transfer from lifetime ECL not credit impaired	**642**	**(2,431)**	**1,789**	**-**
Transfer from Lifetime ECL credit impaired	**1,530**	**703**	**(2,233)**	**-**
Net (reversal) / charge for the year	**(3,234)**	**3,545**	**27,433**	**27,744**
Write-offs	**-**	**-**	**(18,060)**	**(18,060)**
Balance as at December 31, 2025	**14,279**	**5,201**	**34,439**	**53,919**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	13,015	4,141	18,456	35,612
Transfer from 12-month ECL	(635)	172	463	-
Transfer from lifetime ECL not credit impaired	1,428	(3,503)	2,075	-
Transfer from Lifetime ECL credit impaired	1,230	215	(1,445)	-
Net charge for the year	1,537	1,862	25,241	28,640
Write-offs	-	-	(20,017)	(20,017)
Balance as at December 31, 2024	16,575	2,887	24,773	44,235

7. Loans and advances, net (continued)

Consumer Loans

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	90,150	38,394	223,581	352,125
Transfer from 12-month ECL	(4,760)	2,338	2,422	-
Transfer from lifetime ECL not credit impaired	12,250	(19,229)	6,979	-
Transfer from Lifetime ECL credit impaired	12,026	2,793	(14,819)	-
Net (reversal) / charge for the year	(43,851)	19,623	354,507	330,279
Write-offs	-	-	(258,084)	(258,084)
Balance as at December 31, 2025	**65,815**	**43,919**	**314,586**	**424,320**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	66,490	39,970	133,759	240,219
Transfer from 12-month ECL	(2,341)	1,354	987	-
Transfer from lifetime ECL not credit impaired	15,086	(22,233)	7,147	-
Transfer from Lifetime ECL credit impaired	11,442	2,045	(13,487)	-
Net (reversal) / charge for the year	(527)	17,258	252,627	269,358
Write-offs	-	-	(157,452)	(157,452)
Balance as at December 31, 2024	90,150	38,394	223,581	352,125

d) The movement in the allowance for impairment charge for expected credit on loans and advances losses for the year ended December 31, is as follows:

⃁ '000	Note	2025	2024
Impairment charge for expected credit losses on loans and advances, net	7c	1,381,343	1,287,934
Recoveries of written off loans		(407,346)	(144,035)
Total charge for the year		**973,997**	1,143,899

7. Loans and advances, net (continued)

e) The movement in the allowance for impairment charge / (reversal) for investments financial assets and others for the year ended December 31, is as follows:

⃁ '000	Note	2025	2024
Impairment reversal on due from banks, net	**5**	**(5)**	(284)
Impairment charge on off statement of financial position, net	**21**	**7,005**	25,609
Impairment charge on amortized cost, net	**6 (f)**	**2,970**	702
Impairment charge on FVOCI, net	**6 (f)**	**4,609**	10,141
Impairment charge / (reversal) on other assets, net		**54**	(400)
Total charge for the year		**14,633**	35,768

f) Loans and advances include finance lease receivables (Ijarah products), which are analyzed as follows:

⃁ '000	2025	2024
Gross receivable from finance leases		
Less than 1 year	**2,904,157**	2,230,014
1 to 3 years	**5,560,003**	4,530,501
3 to 5 years	**6,460,431**	5,431,335
More than 5 years	**1,974,666**	2,229,853
Unearned future finance income on finance lease	**(1,759,619)**	(1,169,866)
Net receivable from finance leases	**15,139,638**	13,251,837
Allowance for impairment	**(186,393)**	(86,559)
Total	**14,953,245**	13,165,278

8. Investment in associate, net

⃁ '000	2025	2024
Balance at January 01	**9,695**	9,695
Share of earnings	**-**	-
Allowance for impairment	**-**	-
Balance as at December 31	**9,695**	9,695

Investment in associate represents 20% shareholding in Banque BEMO Saudi Fransi incorporated in Syria.

The carrying amount of BEMO Syria remains impaired due to geopolitical restrictions in its operating region. No indicators of reversal have been identified as of 31 December 2025. Management continues to monitor geopolitical developments impacting recoverability.

8. Investment in associate, net (continued)

The Group's share of Banque Bemo Saudi Fransi - Syria financial statements:

⃁ '000	Banque Bemo Saudi Fransi - Syria	
	2025	2024
Total assets	**460,894**	480,166
Total liabilities	**466,578**	373,274
Total equity	**(5,684)**	106,892
Total income	**(5,068)**	35,492
Total expenses	**(159,479)**	(30,757)

9. Property, equipment and right of use assets, net

Property and equipment

⃁ '000	Land and buildings	Leasehold improvements	Furniture, equipment & vehicles	Computer and Software	Total
Cost					
Balance as at January 01, 2024	736,711	154,926	368,723	1,342,174	2,602,534
Additions during the year	16,250	59,727	50,452	345,597	472,026
Disposals and retirements	-	-	(883)	(937)	(1,820)
Balance as at December 31, 2024	752,961	214,653	418,292	1,686,834	3,072,740
Additions during the year	**8,358**	**35,635**	**37,014**	**321,355**	**402,362**
Disposals and retirements	**(84,860)**	**(96)**	**(4,998)**	**(2,986)**	**(92,940)**
Balance as at December 31, 2025	**676,459**	**250,192**	**450,308**	**2,005,203**	**3,382,162**
Accumulated depreciation and impairment losses					
Balance as at January 01, 2024	377,487	88,345	259,087	463,106	1,188,025
Depreciation and amortization charge	22,303	17,727	27,121	141,256	208,407
Disposals and retirements	-	-	(845)	(918)	(1,763)
Balance as at December 31, 2024	399,790	106,072	285,363	603,444	1,394,669
Depreciation and amortization charge	**20,827**	**28,513**	**31,201**	**167,267**	**247,808**
Disposals and retirements	**(45,685)**	**-**	**(4,069)**	**(2,950)**	**(52,704)**
Balance as at December 31, 2025	**374,932**	**134,585**	**312,495**	**767,761**	**1,589,773**
Net book value					
As at December 31, 2025	**301,527**	**115,607**	**137,813**	**1,237,442**	**1,792,389**
As at December 31, 2024	353,171	108,581	132,929	1,083,390	1,678,071

9. Property, equipment and right of use assets, net (continued)

Property and equipment as at December 31, 2025 include work in progress amounting to ⃁ 523 million (2024: ⃁ 544 million). Computer and software include software having a net book value of ⃁ 1,190 million (2024: ⃁ 1,005 million).

Right-of-use assets

⃁ '000	**2025**		
	Land & Building	**Furniture, equipment & vehicles**	**Total**
Balance at January 01	**605,688**	**35,046**	**640,734**
Additions during the year	**303,924**	**(3,624)**	**300,300**
Disposals and retirements	**(103,659)**	**(1,140)**	**(104,799)**
Depreciation and amortization	**(69,177)**	**(15,041)**	**(84,218)**
Balance as at December 31, 2025	**736,776**	**15,241**	**752,017**

⃁ '000	2024		
	Land & Building	Furniture, equipment & vehicles	Total
Balance at January 01	556,061	67,661	623,722
Additions during the year	135,199	-	135,199
Disposals and retirements	(13,302)	(14,079)	(27,381)
Depreciation and amortization	(72,270)	(18,536)	(90,806)
Balance as at December 31, 2024	605,688	35,046	640,734

The following table shows the net book value of property, equipment and right of use assets:

⃁ '000	**2025**	2024
Net book value		
Property and equipment	**1,792,389**	1,678,071
Right-of-use assets	**752,017**	640,734
Total	**2,544,406**	2,318,805

The following table shows depreciation and amortization of property, equipment and right of use assets:

⃁ '000	**2025**	2024
Depreciation and amortization		
Property and equipment	**247,808**	208,407
Right-of-use assets	**84,218**	90,806
Total	**332,026**	299,213

10. Other assets, net

⃁ '000	2025	2024
Accounts receivable	**1,062,528**	1,342,945
Collateral posted on derivatives and repo margin	**2,048,188**	2,404,064
Others	**336,845**	271,523
Total	**3,447,561**	4,018,532

The Group maintains an ECL provision amounting to ⃁ 0.1 million (2024: ⃁ 0.1 million) for the exposure related to other assets which are classified under 12 months ECL.

11. Derivatives

In the ordinary course of business, the Group utilizes the following derivative financial instruments for both trading and hedging purposes:

a) Swaps

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

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

d) 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 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, Banks and other financial institutions in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products. The Group also holds structured derivatives which are fully back to back in accordance with the Group’s risk management strategy.

11. Derivatives (continued)

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to an acceptable level as determined by the Board of Directors in accordance with the guidelines issued by SAMA.

The Board of Directors have established the 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 have also established the level of commission rate risk by setting commission rate sensitivity limits. Commission rate exposure in terms of the sensitivity is reviewed on a periodic basis and hedging strategies are used to reduce the exposure within the established limits.

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 commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

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

The Group 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.

Cash flow hedges

The Group is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Group is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. Below is the schedule indicating as at December 31, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

⃁ '000	Within 1 year	1-3 years	3-5 years	Over 5 years
2025				
Cash inflows (assets)	**974,662**	**1,199,824**	**99,642**	**-**
Cash out flows (liabilities)	**(1,132,578)**	**(1,106,067)**	**(34,347)**	**-**
Net cash (outflow) / inflow	**(157,916)**	**93,757**	**65,295**	**-**
2024				
Cash inflows (assets)	1,151,792	1,684,536	589,500	-
Cash out flows (liabilities)	(1,555,521)	(1,666,759)	(382,025)	-
Net cash outflow / inflow	(403,729)	17,777	207,475	-

The net loss on cash flow hedges transferred to the consolidated statement of income during the year was as follows:

⃁ '000	2025	2024
Special commission income	**1,059,891**	1,213,966
Special commission expense	**1,644,730**	2,074,960
Net loss on cash flow hedges transferred to consolidated statement of income	**584,839**	860,994

11. Derivatives (continued)

The following tables show the positive and negative fair values of derivative financial instruments held, together with their notional amounts analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk. The net hedging loss from cash flow hedge strategy related to loans and advances amounting to ⃁ 469 million (2024: ⃁ 812 million) and investments amounting to ⃁ 42 million (2024: ⃁ 49 million) and currency swap amounting to ⃁ 74 million (2024: ⃁ Nil million).

Derivative financial instruments ⃁ **'000**			**Notional amounts by term to maturity**				
	Positive fair value	**Negative fair value**	**Notional amount total**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
2025							
Held for trading							
Commission rate swaps	**3,698,131**	**3,873,087**	**279,446,119**	**14,757,325**	**36,496,607**	**145,345,711**	**82,846,476**
Commission rate futures and options	**41,241**	**41,241**	**6,662,882**	**1,080,000**	**603,632**	**4,979,250**	**-**
Forward foreign exchange contracts & currency swaps	**31,537**	**101,121**	**16,566,414**	**4,955,189**	**5,963,423**	**5,247,802**	**400,000**
Currency options	**2,366**	**2,366**	**1,561,932**	**111,763**	**140,575**	**1,309,594**	**-**
Others	**86,721**	**86,722**	**2,637,379**	**1,361,923**	**489,359**	**786,097**	**-**
Held as fair value hedges							
Commission rate swaps	**174,069**	**52,046**	**18,610,250**	**-**	**-**	**16,543,750**	**2,066,500**
Held as cash flow hedges							
Commission rate swaps	**404,156**	**92,025**	**25,013,000**	**3,087,500**	**6,505,000**	**15,420,500**	**-**
Foreign currency swap	**25,878**	**3,079**	**29,058,273**	**16,957,600**	**12,100,673**	**-**	**-**
Total	**4,464,099**	**4,251,687**	**379,556,249**	**42,311,300**	**62,299,269**	**189,632,704**	**85,312,976**

Derivative financial instruments ⃁ '000			Notional amounts by term to maturity				
	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years
2024							
Held for trading							
Commission rate swaps	5,199,731	5,372,363	266,091,409	16,898,902	30,365,700	140,465,195	78,361,612
Commission rate futures and options	92,940	92,940	8,815,881	960,199	892,800	6,962,882	-
Forward foreign exchange contracts & currency swaps	105,016	112,685	20,681,986	14,674,234	3,703,839	2,303,913	-
Currency options	21,930	21,930	1,680,017	25,800	80,782	1,573,435	-
Others	26,161	26,161	1,486,432	478,816	615,016	392,600	-
Held as fair value hedges							
Commission rate swaps	-	137,469	13,575,000	-	200,000	11,375,000	2,000,000
Held as cash flow hedges							
Commission rate swaps	245,803	454,874	31,238,250	875,000	5,350,250	25,013,000	-
Total	5,691,581	6,218,422	343,568,975	33,912,951	41,208,387	188,086,025	80,361,612

Derivative portfolio include Shariah based derivatives with notional amount of ⃁ 29,768 million (2024: ⃁ 32,771 million).

11. Derivatives (continued)

The following table shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value.

⃁ '000 Description of hedged items	Fair value of hedge instrument	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
2025						
Floating commission rate investments	**1,079,751**	**1,092,000**	**Cash flow**	**Commission rate swap**	**-**	**12,249**
Floating commission rate loans	**24,245,380**	**23,921,000**	**Cash flow**	**Commission rate swap**	**404,156**	**79,776**
Foreign currency debt securities	**29,081,072**	**29,058,273**	**Cash flow**	**Currency swap**	**25,878**	**3,079**
Fixed commission rate investments	**2,225,484**	**2,266,500**	**Fair value**	**Commission rate swap**	**111**	**41,127**
Fixed commission rate debt securities	**16,506,789**	**16,343,750**	**Fair value**	**Commission rate swap**	**173,958**	**10,919**
2024						
Floating commission rate investments	1,064,935	1,092,000	Cash flow	Commission rate swap	-	27,065
Floating commission rate loans	29,964,244	30,146,250	Cash flow	Commission rate swap	245,803	427,809
Fixed commission rate investments	3,865,512	3,875,000	Fair value	Commission rate swap	-	9,488
Fixed commission rate debt securities	9,572,019	9,700,000	Fair value	Commission rate swap	-	127,981

Micro fair value hedge ⃁ '000	Carrying amount of hedge items		Cumulative amount of fair value adjustments on the hedge items	
	Assets	Liabilities	Assets	Liabilities
2025				
Fixed commission rate investments	**2,307,516**	**-**	**41,016**	**-**
Fixed commission rate debt securities	**-**	**16,506,789**	**-**	**163,039**
2024				
Fixed commission rate investments	3,884,488	-	9,488	-
Fixed commission rate debt securities	-	9,572,019	-	(127,981)

The below table sets out the outcome of the Bank's hedging strategy for micro fair value hedge.

Micro fair value hedge ⃁ '000	Gain / (losses) attributable to the hedge risk		Hedge ineffectiveness
	Hedge Items	Hedging instruments	
2025			
Fixed commission rate investments	**41,016**	**(41,016)**	**-**
Fixed commission rate debt securities	**(163,039)**	**163,039**	**-**
2024			
Fixed commission rate investments	9,488	(9,488)	-
Fixed commission rate debt securities	127,981	(127,981)	-

11. Derivatives (continued)

The Bank has posted ⃁ 1,960 million (2024: ⃁ 2,304 million) and received ⃁ 1,089 million (2024: ⃁ 746 million) collaterals under Credit Support Annex (CSA) agreements and European Market Infrastructure Regulation (EMIR).

The Bank does not have any ineffective portion of hedges that have been transferred to the consolidated statement of income during 2025 and 2024.

The Bank has calculated the Credit Valuation Adjustment (CVA) based on an internal model to derive the difference between the risk-free portfolio and the true portfolio value that takes into account the possibility of a counterparty's default. CVA represents the market value of the counterparty credit risk. CVA is an adjustment to the fair value (or price) of derivative instruments to account for counterparty credit risk (CCR). Thus, CVA is viewed as the price of CCR. This price depends on counterparty credit spreads as well as on the market risk factors that drive derivatives' values and, therefore, exposure.

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. 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 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 derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

12. Due to Saudi Central Bank

⃁ '000	**2025**	2024
Current Account	**9,136**	-
Deposit	**3,975,251**	2,367,279
Repos	**995,625**	7,984,110
Government grant	**-**	2,143,403
Modification impact, net	**-**	(2,076)
Total	**4,980,012**	12,492,716

The government grants that the bank received from SAMA have matured during 2025.

13. Due to banks and other financial institutions

⃁ '000	2025	2024
Current accounts	**460,851**	417,407
Money market deposits	**1,494,628**	8,791,786
Repos	**5,949,121**	10,604,950
Total	**7,904,600**	19,814,143

Due to banks and other financial institutions include Islamic related products of ⃁ 15 million (2024: ⃁ 2,114 million).

14. Customers' deposits

⃁ '000	2025	2024
Demand	**79,122,868**	80,365,630
Saving	**864,568**	976,105
Time	**111,338,983**	98,059,257
Other	**3,892,670**	5,717,187
Total	**195,219,089**	185,118,179

Other customers' deposits include ⃁ 2,675 million (2024: ⃁ 2,935 million) related to margins held for irrevocable commitments.

Time deposits include Shariah approved customer deposits as below:

⃁ '000	2025	2024
Murabaha and other Islamic deposit	**56,799,924**	48,536,341
Total	**56,799,924**	48,536,341

Customers' deposits include foreign currency deposits as follows:

⃁ '000	2025	2024
Demand	**8,129,837**	7,442,010
Saving	**27,611**	26,908
Time	**16,195,636**	16,005,042
Other	**665,095**	1,025,845
Total	**25,018,179**	24,499,805

Foreign currency deposits mainly include deposits in USD amounting to ⃁ 22,534 million (2024: ⃁ 21,335 million).

15. Debt securities and term loans

During 2022 the Bank has established a USD 4 Billion Euro Medium term Note (MTN) Programme. The issuer under the programme is BSF Finance Limited, operating as a special purpose entity for the guarantor Banque Saudi Fransi.

In 2023 the Bank established a USD 4 Billion Trust Certificate Issuance Programme. The issuer under the programme is BSF Sukuk Company, which operates as a special purpose entity for the guarantor Banque Saudi Fransi.

During Q2 2025 the Bank has established a USD 4 Billion Certificate of Deposit Programme. The issuer under the programme is Banque Saudi Fransi.

Debt Securities and term loans issued and outstanding under the Banks EMTN and Trust Certificate programs include:

Issue Date	Type	Market	Tenure	Currency	Value	Term	Maturity
Nov 23 2022	Bond	London stock exchange	5 Years	USD	700 Million	5.5% Semi Annual	Nov 23 2027
May 31 2023	Sukuk	London stock exchange	5 years	USD	900 Million	4.75% Semi Annual	May 31 2028
Jul 18 2023	Sukuk	Private placement	4 years	USD	100 Million	5.47% Semi Annual	Jul 18 2027
Nov 09 2023	Bond	Private placement	3 years	USD	50 Million	SOFR + 115 bps Quarterly	Nov 09 2026
Jan 25 2024	Sukuk	London stock exchange	5 years	USD	700 Million	5.00% Semi Annual	Jan 25 2029
Feb 29 2024	Bond	Private placement	7 years	USD	30 Million	SOFR + 155 bps Quarterly	Feb 28 2031
Mar 26 2024	Term loan facility	Bilateral Loan	3 Years	USD	250 Million	SOFR + 90 bps Quarterly	Mar 26 2027
Apr 30 2024	Bond	Private placement	7 years	USD	20 Million	SOFR + 145 bps Quarterly	Apr 30 2031
May 01 2024	Bond	Private placement	7 years	USD	20 Million	SOFR + 145 bps Quarterly	May 01 2031

15. Debt securities and term loans (continued)

Issue Date	Type	Market	Tenure	Currency	Value	Term	Maturity
May 09 2024	Bond	Private placement	5 years	USD	50 Million	SOFR + 120 bps Quarterly	May 09 2029
May 16 2024	Bond	Private placement	5 years	USD	20 Million	SOFR + 116 bps Quarterly	May 16 2029
Nov 20 2024	Term loan facility	Syndicated facility - International FI Lenders	5 years	USD	750 Million	SOFR + 100 bps Quarterly	Nov 20 2029
Dec 12 2024	Bond	Private placement	5 Years	USD	15 Million	SOFR + 130 bps Quarterly	Dec 12 2029
Jan 21 2025	Sukuk	London stock exchange	5 years	USD	750 Million	5.375% Semi Annual	Jan 21 2030
Feb 13 2025	Bond	Private placement	5 years	USD	55 Million	5.218% Semi Annual	Dec 13 2029
Feb 13 2025	Bond	Private placement	5 years	USD	20 Million	5.218% Semi Annual	Dec 13 2029
Mar 10 2025	Bond	Private placement	7 Years	USD	20 Million	SOFR + 150 bps Quarterly	Mar 10 2032
Mar 19 2025	Term Loan facility	Bilateral Loan	3 Years	⃁	1,500 million	SAIBOR 3M + 45 bps Quarterly	Mar 19 2028
Jun 04 2025	Bond	Private placement	7 Years	USD	20 Million	SOFR + 150 bps Quarterly	Jun 04 2032
Jul 17 2025	Term loan facility	Syndicated facility - International FI Lenders	5 years	USD	1,000 Million	SOFR + 95 bps Quarterly	Jul 17 2030
Sep 03 2025	Tier II	London stock exchange	5 years	USD	1,000 Million	5.761% Semi Annual	Sep 03 2030

15. Debt securities and term loans (continued)

Issue Date	Type	Market	Tenure	Currency	Value	Term	Maturity
Oct 02 2025	Bond	Private placement	2 Years	USD	50 Million	SOFR + 78 bps Quarterly	Oct 02 2027
Oct 22 2025	Term loan facility	Syndicated facility - International FI Lenders	3 years	USD	750 Million	SOFR + 65 bps Quarterly	Oct 22 2028
Nov 13 2025	Bond	Private placement	5 Years	USD	25 Million	SOFR + 120 bps Quarterly	Nov 13 2030
Dec 16 2025	Bond	Private placement	1 Years	⃁	1,000 Million	5.18% Annual	Dec 01 2026

Summary of the outstanding Debt securities and term loans:

⃁ '000	2025	2024
Debt instruments and term loans	**30,249,673**	15,518,054
Certificate of deposit	**8,627,272**	-
Balance at the end of the year	**38,876,945**	15,518,054

Movement of the debt securities and term loans during the year is as follows:

⃁ '000	2025	2024
Balance at the beginning of the year	**15,518,054**	8,634,026
Debt securities and term loans issued	**30,210,205**	6,956,250
Debt securities and term loans payment	**(7,295,687)**	-
Other adjustments	**444,373**	(72,222)
Balance at the end of the year	**38,876,945**	15,518,054

16. Other liabilities

⃁ '000	2025	2024
Accounts payable and accrued expenses	**3,026,531**	3,480,802
Collateral received on derivatives	**1,096,916**	745,910
Lease liability	**699,281**	674,767
ECL provision on off statement of financial position items	**228,715**	221,710
Others	**2,062,572**	1,883,957
Total	**7,114,015**	7,007,146

Maturity profile of lease liability:

⃁ '000	2025	2024
Less than 1 year	**7,136**	364
Greater than 1 year	**692,145**	674,403
Total	**699,281**	674,767

17. Share capital

The authorised, issued and fully paid share capital of the Bank consists of 2,500 million shares of ⃁ 10 each (December 31, 2024: 2,500 million shares of ⃁ 10 each).

On May 30, 2024 the Board of Directors of the Bank recommended to increase the Capital of the Bank by Granting Bonus Shares to the Shareholders by issuing 1.0740740325 share for every 1 share owned. Subsequently, the Extraordinary General Assembly resolved on December 23, 2024 to increase the share capital from ⃁ 12,053 million to ⃁ 25,000 million by transferring an amount of ⃁ 7,946 million from Retained earnings and ⃁ 5,000 million from Statutory reserve to Share capital account.

The Bank obtained approvals from the Saudi Central Bank (SAMA), Capital Market Authority (CMA) and Tadawul to increase share capital and updated its commercial registration (CR) to reflect the increase in share capital by ⃁ 12,946 million.

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

	2025 (%)	2024 (%)
Saudi shareholders	**85.37**	88.86
Foreign shareholders	**14.63**	11.14
Total	**100**	100

18. Statutory and general reserve

In accordance with the Banking Control Law in Saudi Arabia and the By-Laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, ⃁ 1,338 million (2024: ⃁ 1,136 million) has been transferred from the net income for the year to the statutory reserve. The statutory reserve is not available for cash distribution.

The Bank had appropriated ⃁ 983 million to general reserve from retained earnings in the prior years.

19. Other reserves

⃁ '000	Cash flow hedges	FVOCI investments	Actuarial gains /(losses) on defined benefit plans	Total
2025				
Balance at January 01 (restated)	**(608,556)**	**(19,921)**	**26,537**	**(601,940)**
Net change in fair value	**(18,765)**	**854,062**		**835,297**
Transfer to consolidated statement of income	**584,839**	**(117,987)**		**466,852**
Impairment charge for expected credit losses	**-**	**4,610**		**4,610**
Actuarial gain on defined benefit plans	**-**	**-**	**44,092**	**44,092**
Net movement during the year	**566,074**	**740,685**	**44,092**	**1,350,851**
Balance as at December 31, 2025	**(42,482)**	**720,764**	**70,629**	**748,911**
2024				
Balance at January 01 (restated)	(795,882)	(102,723)	6,418	(892,187)
Net change in fair value	(673,668)	166,306	-	(507,362)
Transfer to consolidated statement of income	860,994	(93,645)	-	767,349
Impairment reversal for expected credit losses	-	10,141	-	10,141
Actuarial loss on defined benefit plans	-	-	20,119	20,119
Net movement during the year	187,326	82,802	20,119	290,247
Balance as at December 31, 2024	(608,556)	(19,921)	26,537	(601,940)

Other reserves represent the net unrealized revaluation gains / (losses) of cash flow hedges, FVOCI and actuarial gains / losses on defined benefit plans. These reserves are not available for distribution.

20. Tier I Capital

During Q3 2024, the Bank through a Shariah compliant arrangement issued Tier I Sukuk (the "Sukuk"), amounting to ⃁ 3 billion under its ⃁ 8 billion Tier I Sukuk Programme established in Q1 2024. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 6.0% per annum from date of issue up to 2029 and is subjected to reset every 5 years.

During Q2 2025, the Bank issued USD 650 million Additional Tier I Capital as part of its USD 3 Billion Additional Tier I Capital Note Programme established in Q3 2024, the issuer under the programme is Banque Saudi Fransi. The applicable profit rate is 6.375% per annum from date of issue up to 2030.

During Q4 2025 the Bank exercised the call option on its existing Tier I Sukuk (the "Sukuk") which was issued in 2020, amounting to ⃁ 5 billion.

During Q4 2025, the Bank through a Shariah compliant arrangement issued Tier I Sukuk (the "Sukuk"), amounting to ⃁ 2.5 billion under its ⃁ 8 billion Tier I Sukuk Programme established in Q1 2024. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 6.4% per annum from date of issue up to 2030 and is subjected to reset every 5 years.

20. Tier I Capital (continued)

These Sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit on the Sukuk is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

21. Commitments and contingencies

a) Legal proceedings

As at December 31, 2025, there were 55 (2024: 52) legal proceedings outstanding against the Group. The Group has made adequate provision against these legal cases. The related legal advice indicates that it is unlikely that any significant loss will arise. As at December 31, 2025, the Group maintains a legal provision amounting to ⃁ 3 million (2024: ⃁ 14 million) for legal proceedings outstanding against the Group.

b) Capital commitments

As at December 31, 2025 the Group had capital commitments of ⃁ 363 million (2024: ⃁ 827 million) in respect of property 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.

Guarantees and standby letters of credit, which represent irrecoverable 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 authorising 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.

21. Commitments and contingencies (continued)

i) The contractual maturity structure for the Group's commitments and contingencies that are payable on demand subject to the terms and conditions are as follows:

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
2025					
Letters of credit	**7,278,327**	**2,455,806**	**430,972**	**233,476**	**10,398,581**
Letters of guarantee	**15,450,341**	**22,923,338**	**14,540,516**	**496,469**	**53,410,664**
Acceptances	**2,284,126**	**1,113,038**	**14,443**	**-**	**3,411,607**
Irrevocable commitments to extend credit	**7,385,212**	**433,794**	**5,261,748**	**-**	**13,080,754**
Total	**32,398,006**	**26,925,976**	**20,247,679**	**729,945**	**80,301,606**
2024					
Letters of credit	7,232,309	2,935,709	415,125	330,901	10,914,044
Letters of guarantee	12,634,464	21,629,671	15,918,375	893,185	51,075,695
Acceptances	1,709,654	1,282,558	24,330	-	3,016,542
Irrevocable commitments to extend credit	459,431	2,336,396	14,082,439	-	16,878,266
Total	22,035,858	28,184,334	30,440,269	1,224,086	81,884,547

In addition to the commitments disclosed above the outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Group was ⃁ 82,899 million (2024: ⃁ 83,662 million).

Commitment and contingencies balance related to Shariah based products were ⃁ 25,399 million (2024: ⃁ 22,590 million).

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

⃁ '000	2025	2024
Government and quasi government	**690**	690
Corporate	**70,745,115**	73,452,196
Banks and other financial institutions	**9,539,242**	6,906,727
Other	**16,559**	1,524,934
Total	**80,301,606**	81,884,547

iii) The following table shows the ECL stages movement in off statement of financial position:

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**76,702,102**	**4,202,611**	**979,834**	**81,884,547**
Transfer from 12-month ECL	**(2,536,140)**	**2,337,022**	**199,118**	**-**
Transfer from lifetime ECL not credit impaired	**1,146,678**	**(1,320,977)**	**174,299**	**-**
Transfer from lifetime ECL credit impaired	**9,441**	**3,021**	**(12,462)**	**-**
Net change for the year	**77,345**	**(1,379,914)**	**(280,372)**	**(1,582,941)**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**75,399,426**	**3,841,763**	**1,060,417**	**80,301,606**

21. Commitments and contingencies (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	66,547,335	3,057,887	1,126,015	70,731,237
Transfer from 12-month ECL	(1,587,517)	1,575,253	12,264	-
Transfer from lifetime ECL not credit impaired	472,622	(545,267)	72,645	-
Transfer from lifetime ECL credit impaired	750	108	(858)	-
Net change for the year	11,268,912	114,630	(230,232)	11,153,310
Write-offs	-	-	-	-
Balance as at December 31, 2024	76,702,102	4,202,611	979,834	81,884,547

iv) Movement of ECL provision on off statement of financial position:

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**50,011**	**23,836**	**147,863**	**221,710**
Transfer from 12-month ECL	**(4,190)**	**3,949**	**241**	**-**
Transfer from lifetime ECL not credit impaired	**5,131**	**(5,548)**	**417**	**-**
Transfer from lifetime ECL credit impaired	**-**	**-**	**-**	**-**
Net (reversal) / charge for the year	**(2,707)**	**10,498**	**(786)**	**7,005**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2025	**48,245**	**32,735**	**147,735**	**228,715**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	14,639	6,637	174,825	196,101
Transfer from 12-month ECL	(404)	404	-	-
Transfer from lifetime ECL not credit impaired	135	(222)	87	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net charge / (reversal) for the year	35,641	17,017	(27,049)	25,609
Write-offs	-	-	-	-
Balance as at December 31, 2024	50,011	23,836	147,863	221,710

d) Assets pledged

Securities pledged under repurchase agreements with other banks are government bonds and other non-government bonds. Other non-government bonds are also pledged under repurchase agreements. Assets pledged as collateral with other financial institutions for security are as follows:

⃁ '000	**2025**		2024	
	Assets	**Related liabilities**	Assets	Related liabilities
FVOCI	**6,030,849**	**5,915,129**	9,355,606	9,388,818
Amortised Cost	**1,008,347**	**988,180**	9,287,138	9,118,296
Total	**7,039,196**	**6,903,309**	18,642,744	18,507,114

22. Special commission income and expense

⃁ '000	2025	2024
Special commission income		
Loans and advances		
- Overdraft and Commercial Loans	**11,661,492**	11,415,602
- Consumer Loans and Credit Cards	**2,580,708**	1,998,301
	14,242,200	13,413,903
Investments		
- FVOCI	**1,650,597**	1,204,301
- Amortised Cost	**1,140,636**	1,149,225
	2,791,233	2,353,526
Due from Saudi Central Bank, banks and other financial institutions	**525,089**	604,537
Total	**17,558,522**	16,371,966
Special commission expense		
Customers' deposits	**5,841,389**	6,268,646
Due to Saudi Central Bank, banks and other financial institutions	**1,386,188**	1,356,866
Debt securities and term loans	**1,639,041**	863,071
Total	**8,866,618**	8,488,583
Net special commission income	**8,691,904**	7,883,383

Fee amortization of ⃁ 500 million (2024: ⃁ 373 million) has been included in Special commission income being integral part of the effective interest rate on financial assets.

Net Special commission income related to Islamic related products were ⃁ 7,598 million (2024: ⃁ 6,707 million).

23. Fees and commission income, net

⃁ '000	2025	2024
Fees and commission income		
- Share trading, brokerage, fund management and corporate finance	**427,809**	412,496
- Trade finance	**532,785**	507,223
- Card products	**506,696**	480,996
- Other banking services	**200,342**	249,988
Total fees and commission income	**1,667,632**	1,650,703
Fees and commission expense		
- Share trading and brokerage	**40,186**	58,834
- Card products	**593,399**	555,299
- Other banking services	**78,107**	64,357
Total fees and commission expense	**711,692**	678,490
Fees and commission income, net	**955,940**	972,213

Unamortized balance of commission received in advance ⃁ 909 million (2024: ⃁ 803 million) out of which loan processing fees will be recognized in special commission income.

24. Trading income, net

⃁ '000	2025	2024
Derivatives, net	**114,705**	(57,695)
Securities, net	**110,929**	333,386
Total	**225,634**	275,691

25. Other operating income

⃁ '000	2025	2024
Gain on disposal of property and equipment	**36,182**	177
Other	**263**	529
Total	**36,445**	706

26. Other operating and general and administrative expenses

⃁ '000	2025	2024
Non-claimable tax and penalties	**92,654**	68,783
Repair & maintenance, utilities and IT cost	**318,827**	328,686
Insurance and legal cost	**33,511**	71,628
Professional and consultancy fees	**236,849**	219,304
Communication, publication and advertisement charges	**308,352**	261,855
Stationery and supplies	**10,607**	8,814
Travel and entertainment	**25,038**	19,595
Deposit protection fund premium	**65,761**	63,971
Others and other operating expenses	**188,360**	108,856
Total	**1,279,959**	1,151,492

Auditor's remuneration

⃁ '000	2025	2024
Audit fee of the Bank	**7,183**	5,770
Audit fee of the subsidiaries	**1,305**	1,404
Fee for other certification of the Bank	**823**	1,403
Fee for other certification of the subsidiaries	**191**	120
Total	**9,502**	8,697

27. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2025 and 2024 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Capital costs for the year by 2,500 million shares million after excluding treasury shares consisting of 24.4 million shares as of December 31, 2025 (December 31, 2024: 19.7 million shares).

28. Interim and final net dividend

The Board of Directors have proposed final net dividend of ⃁ 1,295 million (2024: ⃁ 1,246 million) i.e. ⃁ 0.52 (2024: ⃁ 0.50) net per share for the year which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies. The Board of Directors has declared interim net dividend of ⃁ 1,374 million (2024: ⃁ 1,200 million) i.e. ⃁ 0.55 (2024: ⃁ 1.00) net per share.

28. Interim and final net dividend (continued)

⃁ '000	2025	2024
Interim net dividend	**1,374,290**	1,199,541
Final proposed net dividend	**1,294,696**	1,245,666
Total	**2,668,986**	2,445,207

29. Zakat

Zakat, Tax and Customs Authority ("ZATCA") issued new zakat regulations through Ministerial Decree No. 2215 dated Rajab 07, 1440H corresponding to March 14, 2019, which provides the new basis for the calculation of Zakat for companies engaged in financing activities and licensed by SAMA. The Bank has calculated zakat in accordance with the regulation.

The Bank filed its 2024 Zakat return under the new Zakat Regulations issued by Ministerial Decree No. 2215 and obtained the corresponding Zakat certificate. The Bank filed its Zakat returns up to the year ended December 31, 2024. ZATCA has finalized the review of the Zakat returns up to the year 2024.

Zakat for the year amounted to ⃁ 636 million (2024: ⃁ 526 million).

Zakat Reconciliation

⃁ '000	2025	2024
Zakat provision for the current year	**617,467**	522,647
Shortage provision for the prior years	**18,127**	2,608
Zakat charge for the current year	**635,594**	525,255

As of the reporting date, Pillar Two legislation (OECD – global minimum tax framework) has been enacted in certain jurisdictions in which the Group operates; however there is no impact from top-up taxes for the current reporting period in line with Undertaxed Profit Rule (UTPR) relief.

The Group will continue to monitor developments in the local and international tax reforms for Pillar Two income taxes.

30. Cash and cash equivalents

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

⃁ '000	2025	2024
Cash and balances with Saudi Central Bank excluding statutory deposit (note 4)	**849,676**	983,343
Due from banks and other financial institutions with a maturity of three months or less from the date of acquisition	**1,807,422**	2,046,185
Total	**2,657,098**	3,029,528

Due from banks and other financial institutions maturing after three months from the date of acquisition were ⃁ 2,010 million (2024: ⃁ 2,970 million).

31. Employees compensation practices

⃁ '000	**2025**				
Categories of employees	**Number of employees**	**Fixed compensation**	**Variable compensation**	**Total compensation**	**Forms of payment**
Senior management	**18**	**45,137**	**42,929**	**88,066**	**Cash**
Employees engaged in risk taking activities	**378**	**282,626**	**146,195**	**428,821**	**Cash**
Employees engaged in control functions	**435**	**158,847**	**34,540**	**193,387**	**Cash**
Other employees	**2,289**	**599,367**	**132,566**	**731,933**	**Cash**
Outsourced employees	**612**	**77,288**	**49,168**	**126,456**	**Cash**
Total	**3,732**	**1,163,265**	**405,398**	**1,568,663**	

⃁ '000	2024				
Categories of employees	Number of employees	Fixed compensation	Variable compensation	Total compensation	Forms of payment
Senior management	19	42,501	38,170	80,671	Cash / shares
Employees engaged in risk taking activities	370	262,269	111,774	374,043	Cash / shares
Employees engaged in control functions	417	163,720	29,305	193,025	Cash / shares
Other employees	2,250	638,059	126,244	764,303	Cash / shares
Outsourced employees	643	96,981	25,127	122,108	Cash
Total	3,699	1,203,530	330,620	1,534,150	

Number of employees represents only the closing balance.

⃁ '000	**2025**	2024
Total compensation	**1,568,663**	1,534,150
Other employee related costs	**307,187**	349,097
Total salaries and employee related costs	**1,875,850**	1,883,247

The above table includes deferred variable compensation of ⃁ 59.9 million (2024: ⃁ 46.2 million).

Senior management:

This comprises the functions, roles and responsibilities entrusted to those positions who take, propose and implement strategic decisions and manage the Banks' business processes including senior management positions that requires SAMA's non-objection for appointment.

Employees engaged in risk taking activities:

This comprises managerial staff within the business lines (Corporate, Retail, Treasury and Investment banking and Brokerage), who are responsible for executing and implementing the business strategy on behalf of the Group. This includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals, treasury dealing activities, investment management and brokerage services.

31. Employees compensation practices (continued)

Employees engaged in control functions:

This refers to employees working in functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance including: (Risk Management, Compliance, Internal Audit).

Outsourced employees:

This refers to employees who undertake certain job roles within the Group, through an arrangement with a third-party service provider, where the employees would remain under the sponsorship of the third-party service provider, and where the employees would be under BSF's direct supervision, control and management.

Other employees:

This includes all other employees of the Group, excluding those already reported under the above categories.

Salient Features of Banque Saudi Fransi's Remuneration Policy

Governance of Remuneration

As per SAMA Banks remuneration rules, human resources together with the control functions of the Bank (Risk Management, Compliance, Internal Audit) participate in the design of the remuneration system, as initial "Recommenders", to effectively delineate how remuneration tools address misconduct risk or other imprudent risk-taking behaviours. Furthermore, Risk Management is involved in the review of the remuneration system to ensure that an adequate risk-based remuneration practice is in place, and to assess its adequacy and effectiveness as an integral part of the Bank's risk management framework.

Additionally, an Incentives Oversight Committee (IOC) has been formed, which includes the Chief Human Capital Officer, Chief Risk Officer, Chief Compliance Officer, Chief Strategy and Finance Officer, Chief Legal, Governance and ESG Officer, Corporate Secretary and the Chief Audit Executive. The IOC is a management-level committee, which meets on a quarterly basis to provide internal governance on and ensure that all incentive plans are properly balanced for risk and reflective of BSF's compensation philosophy, strategic objectives and business unit goals, and shares its recommendations with the Nomination and Remuneration Committee (NRC).

The Board of Directors (the Board) of the Bank is responsible for the overall design and oversight of the remuneration system which promotes prudent risk-taking behaviours and business practices and accordingly has not delegated this responsibility to senior management. The Board also ensures that an annual review of the remuneration (internally through Internal Audit or externally commissioned by a recognized firm) is carried out independently and without the intervention of senior management, where the review assesses the Bank's compliance with SAMA Banks Remuneration Rules and any relevant laws, regulations, principles and standards, as well as the Bank's internal policies that are prepared according to SAMA Banks Remuneration Rules. The Board takes into account the results of such a review when making decisions related to remuneration.

The Board is ultimately responsible for promoting effective governance, sound remuneration practices, ethical behaviour and compliance with laws, regulations, and internal conduct standards, and for ensuring accountability for misconduct; in addition to the following:

a) Overseeing and holding senior management accountable for implementing and participating in the design of the remuneration system that effectively delineates how remuneration tools address misconduct risk or other imprudent risk-taking behaviour.
b) Engaging actively with senior management, including challenging senior management's remuneration assessments and recommendations if warranted when serious or recurring misconduct occurs and ensure that root cause analysis is performed, lessons learned are promulgated bank-wide and new policies are adopted, as necessary, to prevent it from happening again.

31. Employees compensation practices (continued)

The Board reviews, and if satisfies, approves the remunerations of the senior management based on the recommendations of the Nomination and Remuneration Committee (NRC).

The General Assembly, upon the proposal of the Board, lays down the terms of reference of the Nomination and Remuneration Committee (NRC), which includes its work controls, responsibilities, procedures for appointing committee members, their membership duration and remuneration, which includes, on a summarized fashion, the following:

Nomination and Remuneration Committee (NRC):

Purpose of the NRC

- The NRC represents and assists the Board of Directors (the Board) of Banque Saudi Fransi (the Bank) in fulfilling its oversight responsibilities relating to:

  I. Identifying and recommending nominees for selection as executive, non-executive and independent directors of the Board and external committee members;
  II. Determining the incentives system and approving the compensations in accordance with SAMA's rules, applicable laws and regulations; and
  III. Review Human Resources functions and activities in line with the "Nomination & Remuneration Committee (NRC) Charter".

The NRC, upon the proposal of the CEO, lays down the terms of reference of the Incentives Oversight Committee (IOC), which is a management-level committee that meets on a quarterly basis to provide internal governance on and ensure that all incentive plans are properly balanced for risk and reflective of BSF's compensation philosophy, strategic objectives and business unit goals. Incentive-related changes, once vetted by the IOC, are further recommended by the IOC to the NRC and then the Board of Directors, in line with the DoA. The IOC's membership, authority and terms of reference, are summarized as follows:

Incentives Oversight Committee (IOC):

Authority and Purpose of the IOC

- The IOC ensures that all incentive plans are properly balanced for risk and reflective of the Bank's compensation philosophy, policy, strategic objectives and incentive system as determined by the NRC and business unit goals;

- The IOC is responsible for making recommendations to the NRC on all changes to the existing incentive plans in the Bank as well as the addition or removal of any incentive plan. The Board is ultimately responsible for the approval of all incentive plans in the Bank which will be based on the recommendation of the NRC;

- The IOC is responsible for establishing the processes for incentive plan administration and payments; and

- The IOC monitors incentive plan results against a set defined KPI's on a quarterly basis and alerts management in case of potential disconnects between performance results and planned incentive payments.

Banque Saudi Fransi's Remuneration Policy – Remuneration Philosophy and Principles

Banque Saudi Fransi's remuneration philosophy is centered around 4 key remuneration principles, which in turn are aligned to the Bank's overall strategic direction to support its achievement in the short, medium and long-term. These four (4) remuneration principles underpin the design and execution of the Bank's remuneration policy and practices:

31. Employees compensation practices (continued)

1st Remuneration Principle: Pay for Performance:
The Bank's policy ensures, through fixed and variable forms of remuneration, the recognition of high performance and the differentiation between varying levels of performance at the Bank's different levels: individual, group/division and bank-wide, based on the seniority of the role within the Bank, whilst also ensuring the independency of the control functions.

2nd Remuneration Principle: Flexibility:
The Bank's remuneration policy is flexible enough in order to facilitate an internal job market, and flexible enough in order to cater to the evolving requirements of the Bank in an evolving banking industry.

3rd Remuneration Principle: Competitiveness:
The Bank monitors market trends closely and reviews its remuneration against a selected peer group of organizations. This is to ensure that the Bank remains able to attract, engage and retain the required talent.

4th Remuneration Principle: Risk Alignment:
The Bank's remuneration policy ensures that the correct risk mitigation measures are applied, such as variable compensation deferral and clawback arrangements, as appropriate.

Banque Saudi Fransi's Remuneration Policy – Remuneration Structure and Review

It is Banque Saudi Fransi's philosophy to provide competitive compensation and benefits packages to attract, motivate and retain a high performing employee workforce.

Banque Saudi Fransi's remuneration structure comprises of the following three (3) components:

Fixed Remuneration:

Which comprises of the basic salary and cash allowances i.e housing allowance, transportation allowance and other consolidated allowances (Ramadan, December and Travel allowances).

Variable Remuneration:
which is performance-based and comprises of the annual performance bonus plan, incentive plan, and the long-term incentive plan; and

Benefits:
which comprises of the various monetary and non-monetary benefits provided by Banque Saudi Fransi, such as the saving plan, medical insurance, life / disability insurance, among other types benefits.

Banque Saudi Fransi frequently assesses the extent to which its remuneration levels are competitive in the marketplace. Thus, and as the Bank deems appropriate, an annual review of local and international markets to collect relevant benchmarks is conducted, while taking into account the following:

- The Bank's competitive compensation strategy and relevant competitive trends;
- Changes in the Bank's human resources or compensation approaches;
- The Bank's profitability and general affordability;
- Segmentation of the Bank's talent pool; and
- Market volatility and demand (e.g., inflation rate).

In conducting the annual review of remuneration benchmarks, the Bank seeks the support of multiple reputable external vendors to conduct the compensation and benefits surveys and analyse the results.

31. Employees compensation practices (continued)

Banque Saudi Fransi's Remuneration Policy – Fixed Remuneration

The Bank strives to achieve internal and external equity with respect to the fixed remuneration of all employees through the implementation of a fixed remuneration structure.

Banque Saudi Fransi's Remuneration Policy – Job-based Allowances

The Bank provides a number of job-based allowances which are linked to the nature of the job, which include, but not limited to cash handling allowance and shift allowance.

Banque Saudi Fransi's Remuneration Policy – Performance Based Variable Remuneration

Banque Saudi Fransi strives to provide all full-time employees in the Bank with opportunities to earn variable remuneration.

Variable remuneration is based on performance which is in turn is measured at various levels, according to the nature and the seniority of the job role: performance at the bank-level, group / division / team-level and, lastly, individual level.

Banque Saudi Fransi's utilizes different forms of variable remuneration to attract, incentivize, compensate and retain strong performing employees. Performance based variable remuneration comes in the following forms:

Incentive Plan
Incentive Plans are designed to drive sales / debt collection & recovery, but are also designed to ensure that the right behaviours are also reinforced, and high-risk activities are minimized or mitigated.

Annual Bonus Plan
The bonus pool (or funding) takes into account the net income of the Bank, where the size of the bonus pool relatively grows in successful years, and is reduced in unsuccessful years where the Bank fails to meet its net income target.

The bonus pool's distribution takes into account the job role, individual performance, group/division performance, and bank-wide performance.

The bonuses of employees classified as Senior Management or Material Risk Takers (MRTs) shall also be subject to Bonus Deferral, where at least 40% of the annual performance bonus is deferred over 3 years, and where the deferred amounts are converted to BSF Shares. Deferred bonuses are released in a phased manner, where a third of the deferred amount is released each subsequent year following the bonus cycle.

Long Term Retention Plan

The Long Term Retention Plan (LTRP) aims to enhance the Bank's ability to attract, retain and motivate qualified members of the executive and senior management, as well as key and high potential employees, and to advance the interests of the shareholders of the bank by providing these employees with equity ownership opportunities.

The bank's LTRP is a form of restricted stock plan, where selected participants are allocated BSF shares that are subject to a number of vesting conditions, including a minimum share retention period of 3 years (the shares' vesting period) and are also subject to the employee's continuous employment.

31. Employees compensation practices (continued)

The LTRP is an annual rolling plan and nominations and allocations take place annually.

LTRP awards are based on a grant value, in Saudi Arabian Riyal (⃁), which is determined by the NRC and defined for each participant based on the employee's seniority or grade. The value (in ⃁) is then converted to BSF shares based on the average bank share price over the preceding 3 months prior to the LTRP's award date.

Banque Saudi Fransi's Remuneration Policy – Alignment of Remuneration to Misconduct Risk and Other Risks

The overall objective of Banque Saudi Fransi's remuneration system is focused on promoting effective risk management and the financial soundness and stability of the bank. Accordingly:

- The Bank's remuneration system encourages effective governance, sound remuneration practices, ethical behavior and compliance with laws, regulations, and internal conduct standards, and employees are held accountable for ensuring that their own conduct is consistent with the Bank's values and standards.

- The type and total amount paid in performance-based variable remuneration reflects the time horizon of the risk involved.

- The balance between fixed remuneration and variable remuneration (in other words, the 'pay mix' or proportion of variable remuneration to fixed remuneration) varies according to the nature of business carried out, the type of role and the seniority of the role within the Bank.

- The Bank, in line with its delegation of authority, retains the option to pay executive level employees a portion of their total remuneration through a form of Long Term Retention Plan (LTRP) in order to ensure that a significant portion of the total remuneration is linked to the long-term performance of the Bank.

- The Bank ensures that a substantial portion (at least 40%) of the variable remuneration should be in shares or share-linked instruments where these proportions should increase significantly along with the level of seniority and/or responsibility. For the most senior managers and the most highly paid, the percentage of variable remuneration should be substantially higher of at least above 60% (inclusive of both the Annual Performance Bonus, and the Long-term Retention Plan) is subject to deferral with a minimum vesting period of not less than three years.

- The proportion of variable remuneration to be deferred, its form (which shall be in shares), and the vesting period are determined based on the nature of the business, its risks and the seniority and activities of the concerned senior and executive employee or material risk-takers (MRT's), and in line with SAMA Banks Remuneration Rules.

Human resources together with the control functions of the Bank (Risk Management, Compliance, Internal Audit) participate in remuneration decision-making, as to ensure effective remuneration incentives in addressing misconduct risk or other imprudent risk-taking behaviours.

31. Employees compensation practices (continued)

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

⃁ '000	2025	2024
Defined benefit obligation at the beginning of the year	**519,923**	539,406
Current service cost charge for the year	**53,036**	54,946
Interest cost	**27,904**	27,741
Benefits paid	**(84,977)**	(82,051)
Unrecognized actuarial gain	**(44,092)**	(20,119)
Defined benefit obligation at the end of the year	**471,794**	519,923

⃁ '000	2025	2024
Charge for the year		
Current service cost	**53,036**	54,946
Interest cost	**27,904**	27,741
Total	**80,940**	82,687

Principal actuarial assumptions (in respect of the employee benefit scheme)	2025	2024
Discount rate	**5.9% p.a**	5.6% p.a
Expected rate of salary increase	**4.0% p.a**	4.0% p.a
Normal retirement age	**65 years**	60 years

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

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2025 and 2024 to the discount rate, salary escalation rate, withdrawal assumptions and mortality rates.

⃁ '000	2025	2024
Discount rate – decrease by 0.5%	**503,999**	546,862
Future salary growth – increase by 0.5%	**502,351**	547,105
Retirement age – increase by one year	**463,890**	512,312

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. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

31. Employees compensation practices (continued)

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its employees. The total amount expensed during the year in respect of this plan was ⃁ 80 million (2024: ⃁ 75 million).

Expected maturity analysis of discounted defined benefit obligation for the end of service plan is as follows:

⃁ '000	**2025**	2024
Below 1 year	**28,259**	38,204
Above 1 year	**443,535**	481,719
Total	**471,794**	519,923

32. Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Group's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss. The Group's primary business is conducted in the Kingdom of Saudi Arabia.

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

Retail Banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

Corporate Banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit as included in the internal management reports that are reviewed by chief decision maker. Segment profit is used to measure performance, as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The Group's total assets and liabilities as at December 31, 2025 and 2024, its total operating income and expenses and its net income attributable to equity holders of the Group for the years then ended by operating segments, are as follows:

32. Operating segments (continued)

⃁ '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
2025					
Total assets	**61,446,604**	**154,717,337**	**89,433,642**	**3,408,203**	**309,005,786**
Loans and advances, net	**59,854,171**	**153,249,174**	**-**	**1,787,918**	**214,891,263**
Total liabilities	**73,055,525**	**125,994,054**	**57,691,267**	**1,605,502**	**258,346,348**
Customers' deposits	**71,023,505**	**124,195,584**	**-**	**-**	**195,219,089**
Total operating income	**3,028,939**	**5,465,121**	**1,332,429**	**710,275**	**10,536,764**
Total operating expenses before impairment charge	**1,934,610**	**888,309**	**424,967**	**311,235**	**3,559,121**
Impairment charges for financial assets, net	**237,991**	**744,540**	**6,068**	**31**	**988,630**
Net income for the year before zakat	**856,338**	**3,832,272**	**901,394**	**399,009**	**5,989,013**
Net special commission income	**2,992,989**	**4,875,419**	**583,106**	**240,390**	**8,691,904**
Fees and commission income, net	**(14,007)**	**590,787**	**(8,463)**	**387,623**	**955,940**
Exchange income, net	**49,041**	**(1,085)**	**437,629**	**-**	**485,585**
Trading income, net	**-**	**-**	**161,713**	**63,921**	**225,634**
Inter-segment revenue	**501,077**	**(1,612,101)**	**1,111,024**	**-**	**-**
Depreciation and amortization	**218,147**	**76,322**	**31,373**	**6,184**	**332,026**
2024 (restated)					
Total assets	53,007,714	153,956,271	83,628,111	2,714,462	293,306,558
Loans and advances, net	50,971,106	151,428,320	-	1,768,849	204,168,275
Total liabilities	66,658,784	120,746,974	57,868,729	894,173	246,168,660
Customers' deposits	65,735,151	119,383,028	-	-	185,118,179
Total operating income	4,032,079	4,949,779	126,701	549,120	9,657,679
Total operating expenses before impairment charge	1,863,426	891,879	389,821	263,560	3,408,686
Impairment charges for financial assets, net	249,745	920,193	9,729	-	1,179,667
Net income for the year before zakat	1,918,908	3,137,707	(272,849)	285,560	5,069,326
Net special commission income	3,875,552	4,416,212	(575,629)	167,248	7,883,383
Fees and commission income, net	96,326	522,223	-	353,664	972,213
Exchange income, net	60,202	11,343	410,558	-	482,103
Trading income, net	-	-	269,556	6,135	275,691
Inter-segment revenue	3,196,946	2,274,889	(5,471,835)	-	-
Depreciation and amortization	204,924	58,738	28,630	6,921	299,213

32. Operating segments (continued)

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

⃁ '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
2025					
Statement of financial position assets	**59,943,122**	**154,380,400**	**80,158,018**	**2,999,463**	**297,481,003**
Commitments and contingencies	**282,087**	**44,984,859**	**-**	**-**	**45,266,946**
Derivatives	**-**	**-**	**6,230,370**	**-**	**6,230,370**
2024					
Statement of financial position assets	51,045,580	152,063,154	73,843,182	2,577,194	279,529,110
Commitments and contingencies	312,739	44,908,924	-	-	45,221,663
Derivatives	-	-	6,391,566	-	6,391,566

Credit exposure comprises the carrying value of statement of financial position assets excluding cash, property and equipment, positive fair value of derivative, other assets & other real estate. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

33. Financial Risk Management

Credit Risk

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

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

The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off statement of financial position financial instruments, such as loan commitments.

The Group assesses the probability of default of counterparties using internal rating tools with an overlay of credit assessment, where necessary. In addition, the Group also uses external ratings from major rating agencies where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify, to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. 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 fulfill their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

33. Financial Risk Management (continued)

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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

The Group seeks to manage its credit risk exposure through diversification of 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 collateral / 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, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

The debt securities included in the investment portfolio are mainly sovereign risk. For analysis of investments by counterparty and the details of the composition of investments, and loans and advances, refer to notes 6 and 7, respectively. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 21. The information on Groups maximum credit exposure by business segment is given in note 32.

The Group's internal credit rating grades:

Rating Grade	Description	PD
Performing		
A+	Exceptional	0.01%
A	Excellent	0.02%
B+	Very Good	0.04%
B	Good	0.07%
C+	Very Satisfactory	0.30%
C	Satisfactory	0.60%
C-	Fairly Satisfactory	0.80%
D+	Pass	1.35%
D	Mediocre	2.46%
D-	Very Mediocre	4.89%
E+	Weak	9.47%
E	Special Mention	17.55%
E-	Special Mention	25.19%
Non-Performing		
F	Standard	100.00%
Z	Doubtful	100.00%
Y	Loss	100.00%

33. Financial Risk Management (continued)

Geographical concentration

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

⃁ '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2025						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	760,882	9,328	41,436	38,030	-	849,676
Balances with Saudi Central Bank	10,081,570	-	-	-	-	10,081,570
Due from banks and other financial institutions, net						
Current account	-	205,460	357,777	1,150,936	93,249	1,807,422
Money market placements	1,159,843	202,092	546,043	-	101,372	2,009,350
Investments, net						
Held as FVSI	150,649	-	-	-	-	150,649
FVOCI	29,439,596	4,798,191	3,071,535	1,367,116	734,257	39,410,695
Investments held at amortised cost	29,120,359	-	-	-	-	29,120,359
Investment in associate, net	-	9,695	-	-	-	9,695
Positive fair value of derivatives						
Held for trading	1,355,248	5,086	2,435,509	64,153	-	3,859,996
Held as fair value hedges	-	-	174,069	-	-	174,069
Held as cash flow hedges	63,087	1750	337,766	27,431	-	430,034
Loans and advances, net						
Overdraft and commercial loans	169,174,457	936,021	297,510	-	-	170,407,988
Credit cards	941,848	5	3	-	-	941,856
Consumer loans	43,541,419	-	-	-	-	43,541,419
Property, equipment and right of use assets, net	2,539,536	-	4,870	-	-	2,544,406
Other assets and other real estate, net	1,694,848	10,800	1,766,615	160,587	33,752	3,666,602
Total assets	290,023,342	6,178,428	9,033,133	2,808,253	962,630	309,005,786

33. Financial Risk Management (continued)

⃁ '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2025						
Liabilities						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	9,136	239,599	41,789	2,933	176,530	469,987
Money market deposits	5,295,972	2,277,069	3,895,082	-	946,502	12,414,625
Customers' deposits						
Demand	78,883,831	68,765	13,825	31	156,416	79,122,868
Saving	864,568	-	-	-	-	864,568
Time	111,317,303	20,102	-	-	1,578	111,338,983
Other	3,885,730	1,019	5,921	-	-	3,892,670
Negative fair value of derivatives						
Held for trading	653,772	326,386	3,062,834	61,469	76	4,104,537
Held as fair value hedges	-	-	52,046	-	-	52,046
Held as cash flow hedges	6,769	682	76,175	11,478	-	95,104
Debt securities and term loans	1,508,486	188,870	18,489,138	17,115,210	1,575,241	38,876,945
Other liabilities	5,755,242	2,288	1,338,297	18,188	-	7,114,015
Total liabilities	208,180,809	3,124,780	26,975,107	17,209,309	2,856,343	258,346,348
Commitments and contingencies						
Letters of credit	8,540,066	192,442	1,100,867	171,078	394,128	10,398,581
Letters of guarantee	47,190,670	1,697,471	3,909,542	232,300	380,681	53,410,664
Acceptances	3,401,226	6,177	-	-	4,204	3,411,607
Irrevocable commitments to extend credit	13,080,754	-	-	-	-	13,080,754
Total	72,212,716	1,896,090	5,010,409	403,378	779,013	80,301,606
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	3,652,141	120,122	2,279,595	178,512	-	6,230,370
Total	3,652,141	120,122	2,279,595	178,512	-	6,230,370
Commitments and contingencies exposure						
Letters of credit	4,342,631	43,558	220,173	34,216	78,826	4,719,404
Letters of guarantee	28,599,870	984,598	2,005,343	116,150	197,672	31,903,633
Acceptances	3,401,226	6,177	-	-	4,204	3,411,607
Irrevocable commitments to extend credit	5,232,302	-	-	-	-	5,232,302
Total	41,576,029	1,034,333	2,225,516	150,366	280,702	45,266,946

33. Financial Risk Management (continued)

⃁ '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2024 (restated)						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	864,257	5,754	4,123	-	-	874,134
Balances with Saudi Central Bank	10,046,472	-	-	-	-	10,046,472
Due from banks and other financial institutions, net						
Current account	-	116,465	655,435	946,123	308,573	2,026,596
Money market placements	1,436,673	1,173,802	84,060	-	294,679	2,989,214
Investments, net						
Held as FVSI	357,912	-	-	-	-	357,912
FVOCI	21,334,234	5,532,757	2,663,673	2,855,470	397,543	32,783,677
Investments held at amortised cost	27,678,165	-	-	-	-	27,678,165
Investment in associate, net	-	9,695	-	-	-	9,695
Positive fair value of derivatives						
Held for trading	1,548,955	2,256	3,787,670	106,897	-	5,445,778
Held as fair value hedges	-	-	-	-	-	-
Held as cash flow hedges	31,748	-	205,576	8,479	-	245,803
Loans and advances, net						
Overdraft and commercial loans	165,189,064	999,923	281,222	-	-	166,470,209
Credit cards	704,534	7	-	2	-	704,543
Consumer loans	36,993,523	-	-	-	-	36,993,523
Property, equipment and right of use assets, net	2,318,805	-	-	-	-	2,318,805
Other assets and other real estate, net	2,158,718	9,789	1,902,739	270,597	20,189	4,362,032
Total assets	270,663,060	7,850,448	9,584,498	4,187,568	1,020,984	293,306,558

33. Financial Risk Management (continued)

⃁ '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2024						
Liabilities						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	26,106	204,678	54,882	120,736	11,005	417,407
Money market deposits	16,123,508	7,016,317	7,158,783	-	1,590,844	31,889,452
Customers' deposits						
Demand	80,169,350	61,977	15,659	34	118,610	80,365,630
Saving	976,105	-	-	-	-	976,105
Time	97,548,832	510,425	-	-	-	98,059,257
Other	5,673,982	26,661	16,544	-	-	5,717,187
Negative fair value of derivatives						
Held for trading	995,727	249,537	4,314,033	66,782	-	5,626,079
Held as fair value hedges	-	-	137,469	-	-	137,469
Held as cash flow hedges	105,868	-	299,562	49,444	-	454,874
Debt securities and term loans	-	2,060,819	3,198,379	9,324,718	934,138	15,518,054
Other liabilities	5,970,593	2,925	1,001,323	32,257	48	7,007,146
Total liabilities	207,590,071	10,133,339	16,196,634	9,593,971	2,654,645	246,168,660
Commitments and contingencies						
Letters of credit	10,184,446	118,830	248,820	307,748	54,200	10,914,044
Letters of guarantee	46,267,820	987,772	3,282,962	191,797	345,344	51,075,695
Acceptances	2,966,718	49,824	-	-	-	3,016,542
Irrevocable commitments to extend credit	16,878,266	-	-	-	-	16,878,266
Total	76,297,250	1,156,426	3,531,782	499,545	399,544	81,884,547
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	3,795,113	53,124	2,401,837	141,492	-	6,391,566
Total	3,795,113	53,124	2,401,837	141,492	-	6,391,566
Commitments and contingencies exposure						
Letters of credit	4,911,346	23,766	49,764	61,550	10,840	5,057,266
Letters of guarantee	27,916,283	526,360	1,678,004	95,898	180,003	30,396,548
Acceptances	2,966,718	49,824	-	-	-	3,016,542
Irrevocable commitments to extend credit	6,751,307	-	-	-	-	6,751,307
Total	42,545,654	599,950	1,727,768	157,448	190,843	45,221,663

33. Financial Risk Management (continued)

b) The distributions by geographical concentration of impaired loans and advances and impairment for credit losses are as follows:

⃁ '000	Saudi Arabia	
	2025	2024
Non-performing loans and advances, net		
Overdraft & Commercial Loans	**1,724,240**	1,637,925
Credit Cards	**37,999**	24,568
Consumer Loans	**356,884**	272,006
Total	**2,119,123**	1,934,499
Lifetime ECL credit impaired		
Overdraft & Commercial Loans	**1,437,225**	1,073,367
Credit Cards	**34,439**	24,773
Consumer Loans	**314,586**	223,581
Total	**1,786,250**	1,321,721

c) Credit quality analysis

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

1. Due from banks and other financial institutions

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Investment grade	**3,798,065**	**-**	**-**	**3,798,065**
Non-investment grade	**2,099**	**17,224**	**-**	**19,323**
Unrated	**-**	**-**	**-**	**-**
Carrying amount	**3,800,164**	**17,224**	**-**	**3,817,388**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	5,012,797	-	-	5,012,797
Non-investment grade	4	3,630	-	3,634
Unrated	-	-	-	-
Carrying amount	5,012,801	3,630	-	5,016,431

33. Financial Risk Management (continued)

2. Loans and advances to customers at amortized cost

⃁ '000	December 31, 2025			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	**35,815,010**	**-**	**-**	**35,815,010**
Good quality (C+ to C)	**62,568,284**	**3,602,453**	**-**	**66,170,737**
Satisfactory quality (C- to E+)	**61,147,108**	**5,842,928**	**-**	**66,990,036**
Unrated (consumer loans and credit cards)	**43,793,938**	**452,662**	**26,962**	**44,273,562**
Special mention (E to E-)	**-**	**2,915,843**	**387,580**	**3,303,423**
Impaired	**-**	**-**	**2,119,123**	**2,119,123**
Carrying amount	**203,324,340**	**12,813,886**	**2,533,665**	**218,671,891**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	35,793,483	-	-	35,793,483
Good quality (C+ to C)	55,350,972	2,588,050	-	57,939,022
Satisfactory quality (C- to E+)	65,400,883	5,569,571	-	70,970,454
Unrated (consumer loans and credit cards)	37,317,833	324,954	15,390	37,658,177
Special mention (E to E-)	-	3,248,555	138,877	3,387,432
Impaired	-	-	1,934,499	1,934,499
Carrying amount	193,863,171	11,731,130	2,088,766	207,683,067

33. Financial Risk Management (continued)

The following table sets out information about the credit quality of Loans and advances to customers at amortized cost on a product basis.

I. Overdraft & Commercial Loans

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost: Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	**35,815,010**	**-**	**-**	**35,815,010**
Good quality (C+ to C)	**62,568,284**	**3,602,453**		**66,170,737**
Satisfactory quality (C- to E+)	**61,147,108**	**5,842,928**		**66,990,036**
Special mention (E to E-)	**-**	**2,773,537**	**236,817**	**3,010,354**
Impaired	**-**	**-**	**1,724,240**	**1,724,240**
Carrying amount	**159,530,402**	**12,218,918**	**1,961,057**	**173,710,377**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost: Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	35,793,483	-	-	35,793,483
Good quality (C+ to C)	55,350,972	2,588,050	-	57,939,022
Satisfactory quality (C- to E+)	65,400,883	5,569,571	-	70,970,454
Special mention (E to E-)	-	3,169,728	78,029	3,247,757
Impaired	-	-	1,637,925	1,637,925
Carrying amount	156,545,338	11,327,349	1,715,954	169,588,641

33. Financial Risk Management (continued)

II. Credit Cards

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	**911,348**	**25,044**	**871**	**937,263**
Special mention	**-**	**7,626**	**12,887**	**20,513**
Impaired	**-**	**-**	**37,999**	**37,999**
Carrying amount	**911,348**	**32,670**	**51,757**	**995,775**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	696,839	14,073	1,306	712,218
Special mention	-	2,415	9,577	11,992
Impaired	-	-	24,568	24,568
Carrying amount	696,839	16,488	35,451	748,778

33. Financial Risk Management (continued)

III. Consumer Loans

⃁ '000	December 31, 2025			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	**42,882,590**	**427,618**	**26,091**	**43,336,299**
Special mention	**-**	**134,680**	**137,876**	**272,556**
Impaired	**-**	**-**	**356,884**	**356,884**
Carrying amount	**42,882,590**	**562,298**	**520,851**	**43,965,739**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	36,620,994	310,881	14,084	36,945,959
Special mention	-	76,412	51,271	127,683
Impaired	-	-	272,006	272,006
Carrying amount	36,620,994	387,293	337,361	37,345,648

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Good quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Facilities require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

Special mention: Facilities require close attention of management due to deterioration in the borrowers' financial condition. However, repayment is currently protected.

33. Financial Risk Management (continued)

3. Investments

- **Amortized cost**

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at amortized cost				
Investment grade	**27,776,218**	**-**	**-**	**27,776,218**
Unrated	**1,364,124**	**-**	**-**	**1,364,124**
Carrying amount	**29,140,342**	**-**	**-**	**29,140,342**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	21,943,220	-	-	21,943,220
Unrated	5,751,958	-	-	5,751,958
Carrying amount	27,695,178	-	-	27,695,178

- **FVOCI**

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at FVOCI				
Investment grade	**35,025,513**	**-**	**-**	**35,025,513**
Unrated	**2,278,585**	**-**	**-**	**2,278,585**
Carrying amount	**37,304,098**	**-**	**-**	**37,304,098**

33. Financial Risk Management (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	28,066,166	-	-	28,066,166
Unrated	2,826,856	-	-	2,826,856
Carrying amount	30,893,022	-	-	30,893,022

Investment grade refers to the external credit ratings of debt instruments with low default risk (from AAA to BBB-). The Group maintains an internal rating grades for customers who issued unrated securities (A+ to C).

The following table sets out the credit analysis for trading financial assets measured at FVSI.

⃁ '000	**2025**	2024
Investment securities		
Investment grade	**145,797**	357,912
Unrated	**4,852**	-
Total carrying amount	**150,649**	357,912

4. Commitment and contingencies

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	**25,777,735**	**-**	**-**	**25,777,735**
Good quality (C+ to C)	**29,070,243**	**207,777**	**-**	**29,278,020**
Satisfactory quality (C- to E+)	**20,551,448**	**2,641,187**		**23,192,635**
Special mention (E to E-)	**-**	**992,799**	**9,314**	**1,002,113**
Impaired	**-**	**-**	**1,051,103**	**1,051,103**
Carrying amount	**75,399,426**	**3,841,763**	**1,060,417**	**80,301,606**

33. Financial Risk Management (continued)

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	22,561,823	-	-	22,561,823
Good quality (C+ to C)	27,876,355	185,146	-	28,061,501
Satisfactory quality (C- to E+)	26,263,924	3,147,065	-	29,410,989
Special mention (E to E-)		870,400	27,605	898,005
Impaired	-	-	952,229	952,229
Carrying amount	76,702,102	4,202,611	979,834	81,884,547

d) 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 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:

- change in significant increase in credit risk (SICR) from origination
- days past due count
- slippage in rating notches

The Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, 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.

Stage 2: When a loan has shown a significant increase in credit risk since origination, 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.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors like fall in ratings by one to five notches (depending on the portfolio) since credit origination along with qualitative factors, including a backstop based on delinquency.

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.

33. Financial Risk Management (continued)

Such qualitative indicators include forbearance, covenant breaches and deterioration in credit quality of guarantors.

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. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the 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).

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.

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.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data and customer behavior – e.g. utilization of credit card facilities • Affordability metrics • External data from credit reference agencies including industry-standard credit scores	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Utilization of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

33. Financial Risk Management (continued)

i) Generating the term structure of PD

Credit Risk grades mapped to probabilities, Credit transition probabilities and Macroeconomic inputs determine the term structure of Probability of Default. 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 derived from external credit reference agencies is also used.

The Group employs analytical 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. Forward looking predictions of key macro-economic indicators e.g. GDP growth, inflation, unemployment or CDS spreads are translated analytically into the impact on Risk Factors, especially PD. For most of corporate portfolio exposures, key macro-economic indicators include: Government debt to GDP ratio, expectation of stock market return / volatility and interest rate forecast. While for retail portfolio, key macro-economic indicators include: unemployment rate, export of goods and services and banking claims on private sector.

Based on advice from the Group's Classification and Impairment Committee and economic experts 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.

ii) 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 classified as non performing, or 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 exceptional cases, this criteria may be rebutted based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

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.

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

33. Financial Risk Management (continued)

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. 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.

The Group computes the gross carrying amounts using Cash flows for both the pre-modified Terms and post-modification terms with original Interest Rate as EIR. If the difference in the gross carrying amounts is significant, the asset will be de-recognised and will be re-recognised as POCI (assuming that the modification is being undertaken in connection with forbearance or a defaulted exposure).

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:

- rating as at reporting date and the modified terms;
- rating at initial origination and the original contract terms

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 special commission income 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. After classification as credit-impaired, the customer should demonstrate good payment behavior for at least a period of twelve months, prior to being considered for upgrade.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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 may include granting concession in interest rate and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Group’s special department for distressed assets continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognised.

33. Financial Risk Management (continued)

The table below includes Stage 2 and 3 corporate financial assets that were modified and, therefore, treated as forborne during the year, with the related modification loss suffered by the Group.

⃁ '000	2025	2024
Amortized cost of financial assets modified during the year	**62,459**	59,932
Net modification loss	**(792)**	(684)

The table below shows the gross carrying amount of previously modified corporate financial assets for which loss allowance has changed to 12 month ECL measurement during the year:

December 31, 2025	Post and Pre modification	
⃁ '000	Gross amount	ECL
Facilities that have cured and now measured as 12 months ECL (stage 1)	-	-
Facilities that reverted to (Stage 2 and 3) Life-Time ECL having once cured	-	-

Forbearance in retail financial assets does not have a material bearing on the consolidated financial statements.

iv) 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 by its view on the future evolving macroeconomic environment. Based on advice from Classification and Impairment Committee and economic experts 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. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

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

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and losses. The values of macroeconomic variables under the three scenarios employed in ECL computation for the corporate portfolio are presented below. The other portfolios constitute a relatively smaller share of the ECL allowance.

33. Financial Risk Management (continued)

Economic Indicators	2025
GDP - Oil Sector (⃁ billion)	Upside 1,329 Base case 1,298 Downside 1,223
Government Bond Yields 1 Year (%)	Upside 3.38 Base case 3.26 Downside 2.50
General Government Debt to GDP ratio (%)	Upside 35.56 Base case 37.58 Downside 44.15

Economic Indicators	2024
GDP - Oil Sector (⃁ billion)	Upside 1,265 Base case 1,227 Downside 1,133
Government Bond Yields 1 Year (%)	Upside 4.24 Base case 4.15 Downside 1.98
General Government Debt to GDP ratio (%)	Upside 27.82 Base case 29.85 Downside 38.62

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2025 ECL model		
	2026	2027	2028
GDP - Oil Sector (⃁ billion)	1,298	1,307	1,318
Government Bond Yields 1 Year (%)	3.26	3.26	3.28
General Government Debt to GDP ratio (%)	37.58	38.66	39.80

33. Financial Risk Management (continued)

Economic Indicators	Forecast calendar years used in 2024 ECL model		
	2025	2026	2027
GDP - Oil Sector (⃁ billion)	1,227	1,237	1,246
Government Bond Yields 1 Year (%)	4.15	3.27	3.21
General Government Debt to GDP ratio (%)	29.85	30.62	31.16

The Bank has reviewed the macroeconomic model used for ECL computation during 2025. Accordingly the model has been updated in line with the current risk management strategy which is also approved by the Board Risk Committee. The Bank has used the new macroeconomic model for ECL calculation for year end 2025.

The table below shows the ECL computed under each of the three different economic scenarios employed for credit provisioning under IFRS 9:

⃁ '000	Due from banks and other financial institutions	Debt instrument at AC	Debt instrument at FVOCI	Loans and advances	Off statement of financial position & others	Total
2025						
Most likely (base case)	**616**	**19,983**	**32,178**	**3,777,828**	**228,846**	**4,059,451**
More optimistic (upside)	**616**	**19,983**	**32,178**	**3,768,777**	**228,725**	**4,050,279**
More pessimistic (downside)	**616**	**19,983**	**32,178**	**3,796,218**	**228,975**	**4,077,970**
Closing provision	**616**	**19,983**	**32,178**	**3,780,628**	**228,715**	**4,062,120**
2024						
Most likely (base case)	621	17,013	27,569	3,511,495	221,016	3,777,714
More optimistic (upside)	621	17,013	27,569	3,470,776	220,109	3,736,088
More pessimistic (downside)	621	17,013	27,569	3,563,205	224,236	3,832,644
Closing provision	621	17,013	27,569	3,514,792	221,710	3,781,705

ECL is calculated as the probability-weighted amount after application of 40%, 30% and 30% weights to the outcome of Base Case, Upside and Downside scenarios respectively.

v) Measurement of ECL

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

a. probability of default (PD);
b. loss given default (LGD);
c. exposure at default (EAD).

33. Financial Risk Management (continued)

These parameters are generally derived from internally developed statistical models, regulatory inputs (e.g. in case of LGD) 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 analytical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These analytical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PD's 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 and recovery costs of any collateral that is integral to the financial asset. The estimates are also sensitive to forward looking macroeconomic information.

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 and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts or Regulatory guidelines. 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 (including any borrower's extension options for indeterminate maturity products) 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.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

33. Financial Risk Management (continued)

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end:

Assumptions sensitized	
⃁ '000	**ECL Impact 2025**
Macro-economic factors:	
Decrease in GDP - Oil Sector by 5%	**27,495**
Decrease in General Government Debt to GDP ratio by 15%	**27,277**
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	**926**
Base scenario increase by +/- 5% with corresponding change in upside	**459**

Assumptions sensitized	
⃁ '000	ECL Impact 2024
Macro-economic factors:	
Decrease in GDP - Oil Sector by 5%	43,613
Decrease in General Government Debt to GDP ratio by 15%	35,784
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	2,746
Base scenario increase by +/- 5% with corresponding change in upside	2,081

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

- instrument type;
- credit risk grading;
- collateral type;
- LTV (loan to value) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The Grouping sector is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

33. Financial Risk Management (continued)

vi) Ageing of loans and advances (past due but not impaired)

⃁ '000	**December 31, 2025**			
	Overdraft & Commercial Loans	**Credit Cards**	**Consumer Loans**	**Total**
From 1 day to 30 days	**658,773**	**38,444**	**1,521,018**	**2,218,235**
From 31 days to 90 days	**49,173**	**19,193**	**433,761**	**502,127**
From 91 days to 180 days	**462,976**	**-**	**-**	**462,976**
More than 180 days	**49**	**-**	**-**	**49**
Loans and advances held at amortised cost	**1,170,971**	**57,637**	**1,954,779**	**3,183,387**

⃁ '000	December 31, 2024			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
From 1 day to 30 days	351,473	47,548	1,290,362	1,689,383
From 31 days to 90 days	49,049	9,288	283,698	342,035
From 91 days to 180 days	91,084	-	-	91,084
More than 180 days	757	-	-	757
Loans and advances held at amortised cost	492,363	56,836	1,574,060	2,123,259

In exceptional cases, financial assets past due more than 90 days are considered performing based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

33. Financial Risk Management (continued)

e) Economic sector risk concentrations for the loans and advances and allowance for impairment losses are as follows:

⃁ '000	Performing	Non Performing, net	Allowance for impairment losses	Loans and advances, net
2025				
Government and quasi Government	**2,459,939**	**-**	**-**	**2,459,939**
Banks and other financial institutions	**3,907,757**	**-**	**(80,979)**	**3,826,778**
Agriculture and fishing	**3,781,589**	**6**	**(75,492)**	**3,706,103**
Manufacturing	**20,198,141**	**104,913**	**(500,853)**	**19,802,201**
Mining and quarrying	**3,024,106**	**-**	**(8,834)**	**3,015,272**
Electricity, water, gas and health services	**22,413,821**	**-**	**(43,269)**	**22,370,552**
Building and construction	**12,133,245**	**1,066,385**	**(1,016,323)**	**12,183,307**
Commerce	**38,030,472**	**381,071**	**(921,947)**	**37,489,596**
Transportation and communication	**5,292,012**	**3,443**	**(20,322)**	**5,275,133**
Services	**38,029,473**	**48,387**	**(405,328)**	**37,672,532**
Consumer loans and credit cards	**44,566,631**	**394,883**	**(478,239)**	**44,483,275**
Others	**22,715,582**	**120,035**	**(229,042)**	**22,606,575**
Total	**216,552,768**	**2,119,123**	**(3,780,628)**	**214,891,263**
2024				
Government and quasi Government	-	-	-	-
Banks and other financial institutions	2,790,539	-	(20,165)	2,770,374
Agriculture and fishing	2,499,262	11	(75,857)	2,423,416
Manufacturing	21,357,854	458,297	(746,339)	21,069,812
Mining and quarrying	4,233,185	-	(17,778)	4,215,407
Electricity, water, gas and health services	19,635,445	-	(37,374)	19,598,071
Building and construction	17,311,172	634,891	(774,714)	17,171,349
Commerce	47,073,983	332,457	(919,520)	46,486,920
Transportation and communication	4,326,247	3,637	(28,537)	4,301,347
Services	26,967,008	52,317	(260,476)	26,758,849
Consumer loans and credit cards	37,797,852	296,575	(396,360)	37,698,067
Others	21,756,021	156,314	(237,672)	21,674,663
Total	205,748,568	1,934,499	(3,514,792)	204,168,275

33. Financial Risk Management (continued)

f) Collateral

The Group in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in loans and advances. These collaterals mostly include time, demand, 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 realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held (excluding the effect of overcollateralization) as security for loans that are credit-impaired as at December 31, are as follows:

⃁ '000	**2025**	2024
Collateral coverage - less than 50%	**1,574,628**	1,424,467
Collateral coverage – 51% to 70%	**95,460**	46,744
Collateral coverage - more than 70%	**449,035**	463,288
Total	**2,119,123**	1,934,499

34. 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 Interest rates, Foreign Exchange rates and Equity prices. The Group classifies Market Risk exposures into either Trading or non-trading or Banking Book.

Market Risk within Trading & Banking Book is managed and monitored using various indicators such as Value at Risk, Stress Testing and Sensitivities analysis.

a) Market Risk - Trading book

The Board has set 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 on a daily basis a VaR (value at risk) methodology in order 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 simulation models to assess the possible changes in the market value of the trading book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VaR that the 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 one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days. A specific process of daily VaR back testing is performed to identify any exception.

34. Market Risk (continued)

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 its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under Stress test conditions are reported regularly to the Group's ALM and Market Risk committees for their review.

The Group's VaR related information for the year ended December 31, 2025 and 2024 are follows:

⃁ '000	Foreign exchange rate	Special commission rate risk	Overall Trading
2025			
VaR as at December 31, 2025	**639**	**2,335**	**2,974**
Average VaR for 2025	**305**	**2,792**	**3,097**
Maximum VaR for 2025	**1,232**	**4,935**	**5,022**
Minimum VaR for 2025	**7**	**1,043**	**1,537**
2024			
VaR as at December 31, 2024	48	3,695	3,742
Average VaR for 2024	211	4,053	4,263
Maximum VaR for 2024	965	8,306	8,818
Minimum VaR for 2024	9	1,996	2,093

Overall Trading VaR incorporates compensation effect of positions coming from realized P&L in foreign currencies.

b) Market risk non- trading book

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

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 Board has established special commission rate gap limits for stipulated periods. 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 special commission income is the effect of the assumed changes in special commission rates with a lowest level at 0%, on the net special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2025 and 2024, 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, 2025 and 2024 for the effect of assumed changes in special commission rate. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in ⃁ thousands.

34. Market Risk (continued)

⃁ '000	**December 31, 2025**						
			Sensitivity of Equity				
Currency	**BPS change**	**Sensitivity of special commission income**	**6 months or less**	**Over 6 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
USD	**+100**	**40,649**	**(3,604)**	**(12,000)**	**(274,727)**	**(411,697)**	**(702,028)**
	-100	**(40,649)**	**3,652**	**12,205**	**286,732**	**447,673**	**750,262**
⃁	**+100**	**159,627**	**(4,491)**	**(1,713)**	**(161,781)**	**(456,863)**	**(624,848)**
	-100	**(159,627)**	**4,545**	**1,740**	**168,349**	**496,327**	**670,961**

⃁ '000	December 31, 2024						
			Sensitivity of Equity				
Currency	BPS change	Sensitivity of special commission income	6 months or less	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
USD	+100	44,294	(6,926)	(19,460)	(326,657)	(277,390)	(630,433)
	-100	(44,294)	6,926	19,460	326,657	277,390	630,433
⃁	+100	724,216	(6,289)	(1,450)	(75,258)	(415,648)	(498,645)
	-100	(724,216)	6,289	1,450	75,258	415,648	498,645

Special commission rate sensitivity of assets, liabilities and derivatives

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 Board sets limits on the level of mismatch of special commission rate re-pricing that may be undertaken, which is monitored daily by the Group's Treasury.

The following table summarises the Group's exposure to special commission rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets, liabilities, and derivative 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.

34. Market Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2025						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	-	-	-	-	849,676	849,676
Balances with Saudi Central Bank	-	-	-	-	10,081,570	10,081,570
Due from banks and other financial institutions, net						
Current account	1,304,602	-	-	-	502,820	1,807,422
Money market placements	2,009,350	-	-	-	-	2,009,350
Investments, net						
Held as FVSI	16,665	-	62,810	71,174	-	150,649
Held as FVOCI, net	481,923	2,622,223	14,941,413	20,106,039	1,259,097	39,410,695
Held at amortised cost, net	22,843	700,964	11,477,827	16,918,725	-	29,120,359
Investment in associate, net	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	1,909,637	55,624	729,554	1,131,497	33,684	3,859,996
Held as fair value hedges	111	-	173,958	-	-	174,069
Held as cash flow hedges	46,646	49,714	333,674	-	-	430,034
Loans and advances, net						
Credit cards and consumer loans	132,811	1,009,942	21,528,441	21,722,071	90,010	44,483,275
Overdraft and commercial loans	114,392,566	50,384,015	3,245,232	63,781	2,322,394	170,407,988
Property, equipment and right of use assets, net	-	-	-	-	2,544,406	2,544,406
Other assets and other real estate, net	2,048,188	-	-	-	1,618,414	3,666,602
Total assets	122,365,342	54,822,482	52,492,909	60,013,287	19,311,766	309,005,786

34. Market Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2025						
Liabilities and equity						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	-	-	-	-	469,987	469,987
Money market deposits	7,975,301	4,439,324	-	-	-	12,414,625
Customers' deposits						
Demand	12,064,068	-	-	-	67,058,800	79,122,868
Saving	864,568	-	-	-	-	864,568
Time	98,426,349	12,198,598	714,036	-	-	111,338,983
Other	-	-	-	-	3,892,670	3,892,670
Negative fair value of derivatives						
Held for trading	1,021,880	152,004	812,807	2,014,578	103,268	4,104,537
Held as fair value hedges	41,127	-	10,919	-	-	52,046
Held as cash flow hedges	7,262	78,410	9,432	-	-	95,104
Debt securities and term loans	14,332,495	8,332,334	16,212,116	-	-	38,876,945
Other liabilities	1,096,916	-	-	-	6,017,099	7,114,015
Total equity	-	-	-	-	50,659,438	50,659,438
Total liabilities and equity	135,829,966	25,200,670	17,759,310	2,014,578	128,201,262	309,005,786
Commission rate sensitivity - On statement of financial position	(13,464,624)	29,621,812	34,733,599	57,998,709	(108,889,496)	-
Commission rate sensitivity - Off statement of financial position	(18,538,590)	(4,004,074)	26,820,183	(4,277,519)	-	-
Total commission rate sensitivity gap	(32,003,214)	25,617,738	61,553,782	53,721,190	(108,889,496)	-
Cumulative commission rate sensitivity gap	(32,003,214)	(6,385,476)	55,168,306	108,889,496	-	-

34. Market Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2024 (restated)						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	-	-	-	-	874,134	874,134
Balances with Saudi Central Bank	-	-	-	-	10,046,472	10,046,472
Due from banks and other financial institutions, net						
Current account	1,858,433	-	-	-	168,163	2,026,596
Money market placements	2,989,214	-	-	-	-	2,989,214
Investments, net						
Held as FVSI	-	-	-	357,912	-	357,912
Held as FVOCI, net	1,786,073	5,111,625	12,438,874	12,487,842	959,263	32,783,677
Held at amortised cost, net	606,466	371,013	8,052,211	18,648,475	-	27,678,165
Investment in associate, net	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	226,176	305,050	1,912,404	2,875,201	126,947	5,445,778
Held as fair value hedges	-	-	-	-	-	-
Held as cash flow hedges	240,593	5,210	-	-	-	245,803
Loans and advances, net						
Credit cards and consumer loans	905,597	913,400	18,131,310	17,639,762	107,997	37,698,066
Overdraft and commercial loans	115,190,797	47,098,838	1,948,941	620	2,231,013	166,470,209
Property, equipment and right of use assets, net	-	-	-	-	2,318,805	2,318,805
Other assets and other real estate, net	2,404,064	-	-	-	1,957,968	4,362,032
Total assets	126,207,413	53,805,136	42,483,740	52,009,812	18,800,457	293,306,558

34. Market Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2024 (restated)						
Liabilities and equity						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	109,976	-	-	-	307,431	417,407
Money market deposits	29,664,559	76,881	6,685	-	2,141,327	31,889,452
Customers' deposits						
Demand	6,105,673	-	-	-	74,259,957	80,365,630
Saving	976,105	-	-	-	-	976,105
Time	83,111,477	14,141,308	806,472	-	-	98,059,257
Other	-	-	-	-	5,717,187	5,717,187
Negative fair value of derivatives						
Held for trading	3,297,982	158,302	454,804	1,580,375	134,616	5,626,079
Held as fair value hedges	127,981	-	1,504	7,984	-	137,469
Held as cash flow hedges	437,937	16,937	-	-	-	454,874
Debt securities and term loans	6,569,272	-	8,948,782	-	-	15,518,054
Other liabilities	745,910	-	-	-	6,261,236	7,007,146
Total equity	-	-	-	-	47,137,898	47,137,898
Total liabilities and equity	131,146,872	14,393,428	10,218,247	1,588,359	135,959,652	293,306,558
Commission rate sensitivity - On statement of financial position	(4,939,459)	39,411,708	32,265,493	50,421,453	(117,159,195)	-
Commission rate sensitivity - Off statement of financial position	(21,803,142)	(6,899,001)	31,743,466	(3,041,323)	-	-
Total commission rate sensitivity gap	(26,742,601)	32,512,707	64,008,959	47,380,130	(117,159,195)	-
Cumulative commission rate sensitivity gap	(26,742,601)	5,770,106	69,779,065	117,159,195	-	-

34. Market Risk (continued)

The off statement of financial position gap represents the net notional amounts of these financial instruments, which are used to manage the special commission rate risk.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

ii) 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, 2025 and 2024 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 ⃁, 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 commission rate swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in the consolidated statement of income or equity.

⃁ '000	**2025**			2024		
Currency exposures	**Change in currency rate in %**	**Effect on net income**	**Effect on equity**	Change in currency rate in %	Effect on net income	Effect on equity
USD	**+5**	**75,591**	**-**	+5	(36,974)	-
EUR	**-3**	**(413)**	**-**	-3	(30)	-

There is no material impact on equity and net income due to change in other foreign currencies.

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

Currency Position

⃁ '000	**2025 Long / (short)**	2024 Long / (short)
US Dollar	**1,582,146**	(867,219)
Euro	**13,750**	999
Pound Sterling	**(50,032)**	(1,633)
Other	**5,906**	(8,689)
Total	**1,551,770**	(876,542)

34. Market Risk (continued)

iii) Equity Price Risk

Equity price 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 effect on the Group's equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant is as follows:

⃁ '000	**2025**		2024	
Market Indices	**Change in equity Price %**	**Effect on market value**	Change in equity Price %	Effect on market value
Tadawul	**+5**	**4,662**	+5	6,434
Tadawul	**-5**	**(4,662)**	-5	(6,434)

There is no material impact on market value due to change in prices of listed international securities.

35. 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 become unavailable immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents, and readily marketable securities.

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 ALCO. Daily reports cover the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with the Banking Control Law and the Regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total customers' demand deposits, and 4% of due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), saving deposits, time deposits, margins of letters of credit and guarantee, excluding all type of repo 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, Saudi Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Bank can also raise additional funds through repo facilities available with SAMA against its holding of Saudi Government securities.

a) Maturity analysis of assets and liabilities

The following table summarizes the maturity profile of the Group's assets and liabilities. The expected maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the final contractual maturity date and do not take into account the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained. For presentation purposes all demand, saving and other deposit balances have been shown in no fixed maturity. These demand deposit balances are payable on demand.

35. Liquidity Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2025						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	-	-	-	-	849,676	849,676
Balances with Saudi Central Bank	-	-	-	-	10,081,570	10,081,570
Due from banks and other financial institutions, net						
Current account	-	-	-	-	1,807,422	1,807,422
Money market placements	-	786,002	1,223,348	-	-	2,009,350
Investments, net						
Held as FVSI	16,665	-	62,811	71,173	-	150,649
Held as FVOCI, net	1,591,460	5,097,173	13,843,447	17,619,518	1,259,097	39,410,695
Held at amortised cost, net	628,723	327,280	11,245,631	16,918,725	-	29,120,359
Investment in associate, net	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	174,334	170,530	1,372,406	2,142,726	-	3,859,996
Held as fair value hedges	-	-	174,058	11	-	174,069
Held as cash flow hedges	46,646	49,714	333,674	-	-	430,034
Loans and advances, net						
Credit cards and consumer loans	306,242	1,148,516	20,609,982	21,793,918	624,617	44,483,275
Overdraft and commercial loans	28,896,398	34,641,520	60,841,763	45,089,406	938,901	170,407,988
Property, equipment and right of use assets, net	-	-	-	-	2,544,406	2,544,406
Other assets and other real estate, net	-	-	-	-	3,666,602	3,666,602
Total assets	31,660,468	42,220,735	109,707,120	103,635,477	21,781,986	309,005,786

35. Liquidity Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2025						
Liabilities and equity						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	-	-	-	-	469,987	469,987
Money market deposits	7,975,301	4,439,324	-	-	-	12,414,625
Customers' deposits						
Demand	-	-	-	-	79,122,868	79,122,868
Saving	-	-	-	-	864,568	864,568
Time	96,598,942	11,482,285	3,257,756	-	-	111,338,983
Other	-	-	-	-	3,892,670	3,892,670
Negative fair value of derivatives						
Held for trading	192,627	270,635	1,463,509	2,177,766	-	4,104,537
Held as fair value hedges	-	-	11,037	41,009	-	52,046
Held as cash flow hedges	7,263	78,409	9,432	-	-	95,104
Debt securities and term loans	1,297,240	8,521,204	28,644,103	414,398	-	38,876,945
Other liabilities	-	7,136	54,037	638,108	6,414,734	7,114,015
Total equity	-	-	-	-	50,659,438	50,659,438
Total liabilities and equity	106,071,373	24,798,993	33,439,874	3,271,281	141,424,265	309,005,786

35. Liquidity Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2024 (restated)						
Assets						
Cash and balances with Saudi Central Bank						
Cash in hand	-	-	-	-	874,134	874,134
Balances with Saudi Central Bank	-	-	-	-	10,046,472	10,046,472
Due from banks and other financial institutions, net						
Current account	-	-	-	-	2,026,596	2,026,596
Money market placements	-	1,696,410	1,292,804	-	-	2,989,214
Investments, net						
Held as FVSI	-	-	-	357,912	-	357,912
Held as FVOCI, net	847,423	4,205,216	13,470,055	13,301,720	959,263	32,783,677
Held at amortised cost, net	-	138,543	8,891,147	18,648,475	-	27,678,165
Investment in associate, net	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	125,915	341,316	2,055,308	2,923,239	-	5,445,778
Held as fair value hedges	-	-	-	-	-	-
Held as cash flow hedges	22,223	22,362	201,218	-	-	245,803
Loans and advances, net						
Credit cards and consumer loans	345,710	914,944	18,256,123	17,683,656	497,633	37,698,066
Overdraft and commercial loans	35,278,784	30,776,992	81,837,406	17,528,215	1,048,812	166,470,209
Property, equipment and right of use assets, net	-	-	-	-	2,318,805	2,318,805
Other assets and other real estate, net	-	-	-	-	4,362,032	4,362,032
Total assets	36,620,055	38,095,783	126,004,061	70,443,217	22,143,442	293,306,558

35. Liquidity Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2024 (restated)						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	417,407	417,407
Money market deposits	31,316,957	565,810	6,685	-	-	31,889,452
Customers' deposits						
Demand	-	-	-	-	80,365,630	80,365,630
Saving	-	-	-	-	976,105	976,105
Time	82,008,448	11,638,791	4,412,018	-	-	98,059,257
Other	-	-	-	-	5,717,187	5,717,187
Negative fair value of derivatives						
Held for trading	154,151	273,014	2,207,274	2,991,640	-	5,626,079
Held as fair value hedges	-	190	129,295	7,984	-	137,469
Held as cash flow hedges	-	112,373	342,501	-	-	454,874
Debt securities and term loans	-	2,058,749	13,459,305	-	-	15,518,054
Other liabilities	62	302	69,155	605,248	6,332,379	7,007,146
Total equity	-	-	-	-	47,137,898	47,137,898
Total liabilities and equity	113,479,618	14,649,229	20,626,233	3,604,872	140,946,606	293,306,558

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 Groups and loans and advances to customers. The cumulative maturities of commitments & contingencies are given in note 21 (c-i) of the consolidated financial statements. Maturity analysis of other liabilities include lease liabilities.

b) Analysis of financial liabilities by remaining undiscounted contractual maturities

The following table summarizes the maturity profile of the Group's financial liabilities as at December 31, 2025 and 2024 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 reflect the expected cash flows indicated by the Group's deposit retention history. These demand deposit balances are payable on demand.

35. Liquidity Risk (continued)

⃁ '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2025						
Due to Saudi Central Bank, banks and other financial institutions						
Current accounts	-	-	-	-	469,987	469,987
Money market deposits	8,058,278	4,528,647	-	-	-	12,586,925
Customers' deposits						
Demand	-	-	-	-	79,122,868	79,122,868
Saving	-	-	-	-	864,568	864,568
Time	97,521,962	11,940,543	3,624,991	-	-	113,087,496
Other	-	-	-	-	3,892,670	3,892,670
Debt securities and term loans	1,736,035	9,900,738	32,445,274	431,101	-	44,513,148
Total	107,316,275	26,369,928	36,070,265	431,101	84,350,093	254,537,662
2024						
Due to Saudi Central Bank banks and other financial institutions						
Current accounts	-	-	-	-	417,407	417,407
Money market deposits	31,532,071	567,670	6,860	-	-	32,106,601
Customers' deposits						
Demand	-	-	-	-	80,365,630	80,365,630
Saving	-	-	-	-	976,105	976,105
Time	82,835,983	12,012,807	4,663,803	-	-	99,512,593
Other	-	-	-	-	5,717,187	5,717,187
Debt securities and term loans	86,975	2,773,569	15,491,553	-	-	18,352,097
Total	114,455,029	15,354,046	20,162,216	-	87,476,329	237,447,620

36. Fair values of financial assets and liabilities

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of the financial instruments do not materially differ from their carrying amounts in the consolidated statement of financial position.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair value aims also to reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty where appropriate.

Valuation Framework

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of Front Office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

36. Fair values of financial assets and liabilities (continued)

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving Risk Division;
- back-testing of models against observed market transactions and analysis and investigation of significant daily valuation movements

When third party information, such as broker quotes or pricing services, is used to measure fair value, Market Risk Department assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes

Any significant valuation issue is reported at a regular frequency (in addition to whenever deemed necessary) to the Groups Market Risk Committee in order to take appropriate actions accordingly.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging) or identical instrument that an entity can access at the measurement date;

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

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

36. Fair values of financial assets and liabilities (continued)

⃁ '000	Carrying Value	Level 1	Level 2	Level 3	Total
2025					
Financial assets					
Derivative financial instruments	**4,464,099**	**-**	**4,464,099**	**-**	**4,464,099**
Financial investments designated at FVSI					
-Fixed rate securities	**145,797**	**145,797**	**-**	**-**	**145,797**
-Equity	**4,852**	**4,852**	**-**	**-**	**4,852**
Total	**150,649**	**150,649**	**-**	**-**	**150,649**
Financial investments at FVOCI					
-Fixed rate securities	**33,719,610**	**33,665,207**	**54,403**	**-**	**33,719,610**
-Floating rate securities	**3,584,488**	**1,079,680**	**2,504,808**	**-**	**3,584,488**
-Equity	**2,106,597**	**568,420**	**372,320**	**1,165,857**	**2,106,597**
Total	**39,410,695**	**35,313,307**	**2,931,531**	**1,165,857**	**39,410,695**
Total	**44,025,443**	**35,463,956**	**7,395,630**	**1,165,857**	**44,025,443**
Financial Liabilities					
Derivative financial instruments negative fair value	**4,251,687**	**-**	**4,251,687**	**-**	**4,251,687**
Total	**4,251,687**	**-**	**4,251,687**	**-**	**4,251,687**
2024 (restated)					
Financial assets					
Derivative financial instruments	5,691,581	-	5,691,581	-	5,691,581
Financial investments designated at FVSI					
-Fixed rate securities	357,912	-	357,912	-	357,912
-Equity	-	-	-	-	-
Total	357,912	-	357,912	-	357,912
Financial investments at FVOCI					
-Fixed rate securities	27,012,607	18,485,791	8,526,816	-	27,012,607
-Floating rate securities	3,880,415	1,009,579	2,870,836	-	3,880,415
-Equity	1,890,655	630,039	430,041	830,575	1,890,655
Total	32,783,677	20,125,409	11,827,693	830,575	32,783,677
Total	38,833,170	20,125,409	17,877,186	830,575	38,833,170
Financial Liabilities					
Derivative financial instruments negative fair value	6,218,422	-	6,218,422	-	6,218,422
Total	6,218,422	-	6,218,422	-	6,218,422

36. Fair values of financial assets and liabilities (continued)

During the year, there have been no transfers in between level 1, level 2 and level 3.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

Financial investments classified as FVOCI

⃁ '000	2025	2024 (restated)
Balance at the beginning of the year	**830,575**	741,313
Additions during the year	**189,458**	107,503
Disposal during the year	**-**	(9,000)
Change in the value	**145,824**	(9,241)
Balance at the end of the year	**1,165,857**	830,575

Level 3 investment instruments include private equity portfolio of ⃁ 45 million (2024: ⃁ 9 million) which has been valued at cost as their market value is not significantly different from the carrying values. The remaining level 3 portfolio of ⃁ 1,121 million (2024: ⃁ 822 million) invested in equities and funds which were valued based on the valuation techniques using their latest financial statements. The acquisition value of those funds was ⃁ 505 million (2024: ⃁ 316 million).

The fair values of on-statement of financial position financial instruments, except for loans and advances and financial instruments held at amortized cost are not significantly different from the carrying values included in the consolidated financial statements. The fair values of commission bearing customers' deposits, debt securities, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of the investments held at amortized cost are based on quoted market prices when available or pricing models when used in case of bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique.

Derivative products valued using a valuation technique with market observable inputs are mainly commission rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and commission rate curves. Other investments in level 2 are valued based on market observable date including broker rates etc.

The fair values of investments held at amortized cost are ⃁ 28,175 million (2024: ⃁ 26,098 million) against carrying value of ⃁ 29,120 million (2024: ⃁ 27,678 million). It includes level 1 investment amounting to ⃁ 1,981 million (2024: ⃁ 2,059 million), level 2 investment amounting to ⃁ 25,044 million (2024: ⃁ 23,400 million) and level 3 investment amounting to ⃁ 1,150 million (2024: ⃁ 639 million).

The Group uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances (level 3 instruments) after adjusting internal credit spread which is ⃁ 216,738 million (2024: ⃁ 205,276 million). The carrying values of those loans and advances are ⃁ 214,891 million (2024: ⃁ 204,168 million).

37. Related party transactions and balances

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the management and the Board, the related party transactions are carried out on group's internal pricing framework. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA.

The balances with related parties have been defined as per regulatory guidelines which also include relationships with entities with common directorships or common key management personnel.

a) The balances as at December 31, 2025 and 2024 resulting from such transactions included in the consolidated financial statements are as follows:

⃁ '000	2025	2024
Associates		
Investments	**9,695**	9,695
Due to banks and other financial institutions	**472,013**	8,781
Directors, senior management, shariah members and their affiliates (key management personal)		
Loans and advances	**9,283,040**	6,558,236
Investments	**683,203**	683,674
Due from banks and other financial institutions	**-**	395,625
Other assets	**20,906**	49,182
Customers' deposits	**8,604,702**	8,201,695
Due to banks and other financial institutions	**-**	40,000
Other liabilities	**11,712**	247
Derivatives at fair value, net	**(15,968)**	(48,141)
Commitments and contingencies	**2,499,640**	2,666,822
Major shareholders' and their affiliates		
Loans and advances	**411,774**	1,532,037
Customers' deposits	**227,833**	128,146
Derivatives at fair value, net	**(24)**	37
Commitments and contingencies	**24,203**	12,500

b) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

⃁ '000	2025	2024
Special commission income		
-Directors, senior management, shariah members and their affiliates (key management personal)	**611,773**	604,622
-Major shareholders' and their affiliates	**71,153**	95,011
Total Special commission income	**682,926**	699,633
Special commission expense		
-Directors, senior management, shariah members and their affiliates (key management personal)	**266,522**	233,423
Major shareholders' and their affiliates	**4,384**	12,102
-Associates	**628**	315
Total Special commission expense	**271,534**	245,840
Fees, commission income and others, net	**130,949**	76,897
Directors' fees	**19,560**	18,980
Other general and administrative expenses	**25,386**	75,840

Major shareholder represents a shareholder having more than 5% of shareholding.

37. Related party transactions and balances (continued)

c) The credit exposure of related party balances by stage analysis

⃁ '000	**December 31, 2025**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Directors, senior management, shariah members (key management personal) and major shareholders' and their affiliates				
Loans and advances	**9,694,814**	**-**	**-**	**9,694,814**
Investments	**683,203**	**-**	**-**	**683,203**
Commitments and contingencies	**2,523,843**	**-**	**-**	**2,523,843**

⃁ '000	December 31, 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Directors, senior management, shariah members (key management personal) and major shareholders' and their affiliates				
Loans and advances	8,054,835	35,438	-	8,090,273
Investments	683,674	-	-	683,674
Due from banks and other financial institutions	395,625	-	-	395,625
Commitments and contingencies	2,678,722	600	-	2,679,322

As at December 31, 2025, the Group maintains an ECL provision amounting to ⃁ 21 million (2024: ⃁ 9 million) for related party exposure

The below table shows the total amount of salaries and employee related benefits to the Bank's key management personnel are as follows:

⃁ '000	**2025**	2024
Short term benefit	**70,455**	66,066
Long term benefit (deferral bonus)	**17,611**	14,605
Long term retention plan	**26,500**	23,500
Termination benefit	**712**	1,428
Total	**115,278**	105,599

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

38. Treasury shares and share based payment programs

The below table demonstrates Banque Saudi Fransi's outstanding obligations under the Bank's Long Term Retention Plan (LTRP), by annual cycle, in chronological order.

The significant features of these plans are as follows:

Nature of Plan	Long Term Retention Plan	Long Term Retention Plan	Long Term Retention Plan
Number of outstanding plans	1	1	1
Grant date	March 31, 2023	March 31, 2024	March 31, 2025
Maturity date	April 01, 2026	April 01, 2027	April 01, 2028
Grant price - ⃁	18.00	18.96	16.65
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service, meets and service criteria	Employees remain in service, meets and service criteria	Employees remain in service, meets and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date-⃁	14.88	15.09	14.71

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above plans for the year is ⃁ 55 million (2024: ⃁ 61 million).

Number of shares allocated for LTRP and deferred bonus programe	2025	2024
Number of shares allocated at the beginning of the year	**10,998,700**	5,312,986
Vested / forfeited during the year	**(3,060,987)**	(1,442,906)
Bonus issuance	**-**	5,532,546
Allocated during the year, net	**6,281,422**	1,596,074
Number of shares allocated at the year end	**14,219,135**	10,998,700

The Bank also has a deferred bonus plan for annual performance bonus which is subject solely to a service-based vesting condition, requiring continued employment with the Bank over a three-year vesting period. Deferred bonus shares vest in equal annual tranches upon the completion of each year of service, provided the participant continues to meet the applicable eligibility criteria and qualifies as a Good Leaver, in accordance with the plan rules. The total number of treasury shares allocated under deferred bonus as of December 31, 2025 was 3.3 million shares (December 31, 2024: 1.6 million shares).Total number of treasury shares which are not part of LTR plan and deferred bonus plan as of December 31, 2025 was 10.2 million shares (December 31, 2024: 8.7 million shares).

39. Capital risk management

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

40. Capital Adequacy

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

The RWAs, total capital and related ratios as at December 31, 2025 and December 31, 2024 are presented as per Basel III final reform issued by SAMA (circular number 44047144) affective from January 01, 2024. The Bank is in compliant with all the regulatory ratios in the current and previous years.

⃁ '000	2025	2024 (restated)
Credit Risk RWA	**250,307,927**	239,713,124
Operational Risk RWA	**9,647,584**	8,627,534
Market Risk RWA	**4,043,730**	3,958,794
Total RWA	**263,999,241**	252,299,452
Common Equity Tier I Capital	**42,764,420**	39,746,454
Additional Tier I Capital	**7,937,500**	8,000,000
Tier I Capital	**50,701,920**	47,746,454
Tier II Capital	**5,751,527**	2,193,948
Total Tier I & II Capital	**56,453,447**	49,940,402
Capital Adequacy Ratio %		
Common Equity Tier I ratio	**16.20%**	15.75%
Tier I ratio	**19.21%**	18.92%
Tier I + Tier II ratio	**21.38%**	19.79%

41. Investment management, brokerage and corporate finance services

The Group offers investment services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors as well as brokerage services. Income from the subsidiaries is included in the consolidated statement of income under fees and commission income. Determining whether the Group controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Group in the Fund (comprising of its investments, any carried profit and expected management fees) and the investors' rights to remove the Fund Manager.

As a result of the above assessment, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. However, the Group 's share of these funds is included in the FVOCI investments and fees earned are disclosed under related party transactions.

The Group through its subsidiary offers investment management services to its customers, which include management of certain investment funds in consultation with professional investment advisors, having net asset value of ⃁ 30,971 million (2024: ⃁ 30,494 million). These include certain Islamic mutual funds with total assets under management of ⃁ 3,303 million (2024: ⃁ 3,346 million).

42. Climate Related Risk

The relevance and urgency of climate change, and its associated financial impact, have rapidly risen up companies' agendas over the past few years due to the increasingly prevalent risks over the short, medium, and long-term horizons. Addressing and mitigating climate change is a complex challenge, and one in which the banking sector will play a central role.

The banking sector will be increasingly impacted by climate risk through accelerating stakeholder expectations, regulatory development, and market pressures. Banks are exposed to climate-related risks through their lending and investment activities, which can be susceptible to heightened climate-sensitive sectors and assets.

Therefore, it is vital that BSF fully identify, assess and manage its climate-related risks and their impact on the Group's principal risk categories, such as credit risk, reputational risk, and liquidity risk. BSF will achieve this by categorizing the crucial physical and transitional risks that may impact the business.

Physical risks

Physical risks are weather events and longer-term shifts in climate that are driven by climate change. These can be acute events, such as hurricanes, floods, wildfires, or chronic changes that result in sea level rise, increased ambient temperatures, and desertification. The nature, severity, and timing of extreme weather events are uncertain, but globally we are seeing a surge in their frequency and the impact on economies is becoming increasingly evident. Physical risks may impact a business through damage to property, stranded assets, and supply chain disruption.

Transitional risks

As countries commit to transitioning to a low-carbon economy around the globe, there are significant financial risks associated with this shift, which can depend on the nature, speed, uptake and significance of changes imposed. Transition risks can include accelerating regulatory expectations, technology advancements, reputational damage and market risks.

Although climate change presents challenges to BSF and the broader banking sector, there are also significant opportunities for the Group to capitalize upon. The transition to a low-carbon economy will require new products and services (such as green and climate bonds), increased resource efficiency will lead to cost savings and access to new markets.

BSF will extend its comprehensive risk management processes to embed climate-related risks within its core procedures. As part of future climate risks assessments, BSF will consider the following to measure, manage and monitor climate-related risks within the business:

- The key sectors and areas of business that will be impacted by climate change
- Associating and estimating the financial impact of the identified risks
- Possible mitigation measures the Group can implement

BSF recognizes this is an evolving subject and will require the Group to work holistically to contribute to its complexity. A better fundamental understanding of these risks will allow the Group to make more informed financial decisions and engage with stakeholders more effectively on the topic.

43. Comparative figures

Certain prior period figures have been reclassified to conform to the current period's presentation, which are not material in nature to the consolidated financial statements.

44. Restatement

During the year ended December 31, 2025, the Bank corrected valuation of its interest in equity investments that are classified as investments at Fair Value through Other Comprehensive Income (FVOCI) which were historically valued at cost. These adjustments are considered as correction as per IAS 8 (Accounting policies, Changes and Accounting Estimates and Error) and are material to the consolidated financial statements and accordingly the consolidated statement of financial position and consolidated statement of changes in equity have been restated.

The impact of these equity investments on the consolidated statement of income and consolidated statement of comprehensive income for the year ended December 31, 2024 was insignificant and accordingly, these have not been restated.

Accordingly, the Bank has restated the impacted line items to correct the consolidated financial statements for prior period as follows:

⃁ '000	As previously presented	Restatement	Restated balance
As at December 31, 2024 **Consolidated statement of financial position**			
Investments, net	60,288,858	530,896	60,819,754
Other reserves	(1,132,836)	530,896	(601,940)

During the year ended December 31, 2025, the Bank corrected the classification of some of its investments from “Investments at FVOCI – Debt instruments” to “Investments at FVOCI – Equity/other investments” amounting ⃁ 931 million. These adjustments are considered as correction as per IAS 8 (Accounting policies, Changes and Accounting Estimates and Error) and accordingly the disclosure note (6) to the consolidated financial statements has been restated.

The impact of correcting classification of these equity investments, on the consolidated statement of income and consolidated statement of other comprehensive income, for the year ended 31 December 2024, was insignificant and accordingly, these have not been restated.

45. Board of Directors approval

The consolidated financial statements were approved by the Board of Directors on January 26, 2026 corresponding to Shaban 07, 1447H.