



THE SAUDI NATIONAL BANK

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 AND THE INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report
To the Shareholders of The Saudi National Bank
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Saudi National Bank (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, which include material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (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 our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report
To the Shareholders of The Saudi National Bank

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

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
Expected Credit Loss allowance against financing and advances	<p>As at 31 December 2025, the Group's gross financing and advances amounted to SAR 736.7 billion (2024: SAR 664.7 billion) [including purchased or originated credit impaired loans ('POCI') amounting to SAR 1.7 billion (2024: SAR 2.4 billion)], against which an Expected Credit Loss ("ECL") allowance of SAR 7.4 billion (2024: SAR 10.4 billion) was recognized.</p> <p>We considered the determination of ECL allowance as a key audit matter, as this determination requires management to apply significant judgments and make significant estimates. In addition, the carrying amount of financing and advances is quantitatively significant to the consolidated financial statements and requires significant audit effort. The key areas of judgments and estimates include:</p> <ol style="list-style-type: none"> 1. Categorization of financing and advances into Stages 1, 2 and 3 based on the identification of: <ol style="list-style-type: none"> (a) customers with a significant increase in credit risk ("SICR") since the date that credit was initially granted; and (b) individually impaired and/or overdue amounts. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to the assessment of the financial condition of the counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 3. The need to apply management overlays using expert credit judgement to reflect all relevant risk factors, that might not have been captured by the ECL models. 	<ul style="list-style-type: none"> • We obtained and updated our understanding of the process adopted by management to determine the ECL allowance relating to financing and advances, which includes the Group's internal rating model, accounting policy, model methodology and the key controls in this process including any key changes made during the year, if any. • We evaluated the key controls over the following areas (including relevant 'IT' general and application controls) to determine if they had been appropriately designed and implemented and were operating effectively: <ul style="list-style-type: none"> ○ the ECL model, including governance over the model, its validation during the year, and any model updates performed during the year, including the approval by the Credit and Remedial Management Committee of key inputs, assumptions and management overlays, where applicable; ○ the classification of financing 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, where applicable; and ○ the integrity of data inputs into the ECL model. • We compared the Group's accounting policy and methodology for determining the ECL allowance against the requirements of IFRS 9 'Financial Instruments' (IFRS 9). • For a sample of financing and advances, we assessed:

Independent Auditors' Report
To the Shareholders of The Saudi National Bank

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

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
	<p><i>Refer to the material accounting policies note 3.24, 3.25 and 3.27 for the impairment of financial assets; note 2.6(h) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7.3 which contains the disclosure of impairment against financing and advances; and note 30 for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.</i></p>	<ul style="list-style-type: none"> ○ 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. We also assessed that these were consistent with the ratings used as inputs in the ECL model; ○ the staging used to determine the ECL allowance; ○ the inputs and judgment used to determine the ECL allowance, for example PD and LGD percentages; and ○ the recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. <ul style="list-style-type: none"> ● We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of default or individually impaired exposures, and their classification into stages. Furthermore, for a sample of financing and advances, we assessed the appropriateness of the staging classification based on the Group's staging classification policy, knowledge of corresponding customers and analysis of related financial information. ● We assessed the governance process implemented and the reasonableness and appropriateness of the qualitative factors considered (in the light of prevailing facts and circumstances of the corresponding financing and advances) by management when making management overlays to the output of the model due to data or model limitations or otherwise. ● We assessed the reasonableness of underlying estimates and assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios.

**Independent Auditors' Report
To the Shareholders of The Saudi National Bank**

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

Key audit matter	Details of key audit matter	How our audit addressed the key audit matter
		<ul style="list-style-type: none"> • We tested the inputs used to determine the ECL allowance by agreeing them to supporting documentation to ensure completeness and accuracy. • Where required, we involved our specialists to assist us in reviewing model calculations, evaluating outputs and assessing reasonableness of assumptions used in the ECL model applicable. • We assessed the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs that are endorsed in Kingdom of Saudi Arabia.

Other Information included in the Group's 2025 Annual Report

Management is responsible for the other information in the Group's annual report. 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. The 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 2025 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 SOCPA and, the applicable requirements 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, is responsible for overseeing the Group's financial reporting process.

**Independent Auditors' Report
To the Shareholders of The Saudi National Bank**

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for 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.



Independent Auditors' Report To the Shareholders of The Saudi National Bank

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

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

Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable 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.

PricewaterhouseCoopers

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

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Carr)



Ali A. Alotaibi
Certified Public Accountant
License No. 379

4 February 2026
(16 Shabaan 1447 H)

Certified Public Accountant
License No. 378



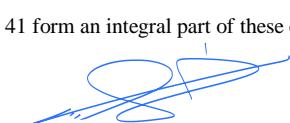
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER (Amounts in '000)

	Note	2025	2024
ASSETS			
Cash and balances with central banks	4	44,923,237	42,119,698
Due from banks and other financial institutions, net	5	22,970,831	21,088,423
Investments, net	6	320,004,190	292,486,807
Financing and advances, net	7	729,310,906	654,252,346
Positive fair value of derivatives	11	26,890,803	27,375,451
Property, equipment and software, net	8	13,065,976	11,887,664
Goodwill	39	34,006,782	34,006,782
Intangible assets, net	39	4,921,688	5,741,968
Right of use assets, net	9	967,447	1,005,658
Other assets	10	12,969,693	14,189,843
Total assets		1,210,031,553	1,104,154,640
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks, central banks and other financial institutions	12	190,189,039	185,119,790
Customers' deposits	13	636,094,377	579,762,107
Debt securities issued and term loans	14	132,642,363	95,305,371
Negative fair value of derivatives	11	25,373,376	25,903,307
Other liabilities	15	21,905,150	24,788,804
Total liabilities		1,006,204,305	910,879,379
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Share capital	16	60,000,000	60,000,000
Share premium		63,701,800	63,701,800
Treasury shares	22	(2,586,243)	(2,099,227)
Statutory reserve	17	52,814,275	46,481,447
Other reserves (cumulative changes in fair values)	18	(1,646,213)	(3,404,926)
Employees' share-based payments reserve	22	475,359	460,764
Retained earnings		21,630,047	14,351,188
Foreign currency translation reserve		(8,763,198)	(8,113,107)
Equity attributable to shareholders of the Bank		185,625,827	171,377,939
Tier 1 Sukuk	25	17,652,684	21,187,500
Equity attributable to equity holders of the Bank		203,278,511	192,565,439
Non-controlling interests	38	548,737	709,822
Total equity		203,827,248	193,275,261
Total liabilities and equity		1,210,031,553	1,104,154,640

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



 Hussein H. Eid
 Group Chief Financial Officer



 Tareq A. Al Sadhan
 Group Chief Executive Officer



 Saeed M. Al-Ghamdi
 Chairman

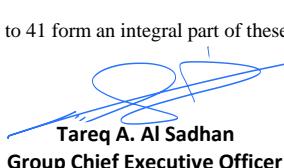
CONSOLIDATED STATEMENT OF INCOME
 FOR THE YEARS ENDED 31 DECEMBER (Amounts in ₩'000)

	Note	2025	2024
Special commission income	20	60,961,683	57,835,422
Special commission expense	20	(31,806,491)	(30,112,179)
Net special commission income		29,155,192	27,723,243
Fee income from banking services	21	7,358,225	6,822,011
Fee expense from banking services	21	(2,426,874)	(2,444,870)
Fee income from banking services, net		4,931,351	4,377,141
Exchange income, net		2,302,321	1,923,197
Gains from fair value through income statement (FVIS) financial instruments, net		2,819,579	2,251,820
Trading income, net		614,130	636,570
Dividend income		462,619	413,264
Gains on non-FVIS financial instruments, net		558,687	76,584
Other operating expenses, net		(1,649,309)	(1,368,710)
Total operating income		39,194,570	36,033,109
Salaries and employee-related expenses		4,911,036	4,703,042
Rent and premises-related expenses		485,853	507,619
Depreciation/amortisation of property, equipment, software and right of use assets	8 & 9	1,484,087	1,787,774
Amortisation of intangible assets	39	820,280	820,280
Other general and administrative expenses		2,171,131	3,203,132
Total operating expenses before expected credit losses		9,872,387	11,021,847
Impairment charge/(reversal) for expected credit losses, net	6 & 7	1,034,143	1,018,805
Total operating expenses		10,906,530	12,040,652
Income from operations, net		28,288,040	23,992,457
Other non-operating income/(expense), net		(391,307)	(377,686)
Income for the year before zakat and income tax		27,896,733	23,614,771
Zakat and income tax expense	15	(2,905,172)	(2,521,125)
Net income for the year		24,991,561	21,093,646
Net income for the year attributable to:			
Equity holders of the Bank		25,013,279	21,192,995
Non-controlling interests	38	(21,718)	(99,349)
Net income for the year		24,991,561	21,093,646
Basic earnings per share (expressed in ₩ per share)	24	4.04	3.44
Diluted earnings per share (expressed in ₩ per share)	24	4.03	3.43

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



 Hussein H. Eid
 Group Chief Financial Officer



 Tareq A. Al Sadhan
 Group Chief Executive Officer



 Saeed M. Al-Ghamdi
 Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED 31 DECEMBER (Amounts in '000)

	<u>2025</u>	<u>2024</u>
Net income for the year	24,991,561	21,093,646
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to the consolidated statement of income in subsequent years:</i>		
- Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	245,854	(799,466)
- Re-measurement on defined benefit plans	(17,127)	(206,900)
<i>Items that are or may be reclassified to the consolidated statement of income in subsequent years:</i>		
- Net movement in foreign currency translation reserve losses	(969,553)	(540,911)
Fair value through other comprehensive income - debt instruments:		
- Net changes in fair values	2,601,149	1,130,176
- Net amounts transferred to the consolidated statement of income	(282,482)	(10,432)
Cash flow hedges:		
- Effective portion of changes in fair values	(292,198)	(113,805)
- Net amounts transferred to the consolidated statement of income	200,142	528,381
Total other comprehensive income/(loss)	1,485,785	(12,957)
Total comprehensive income for the year	26,477,346	21,080,689
Attributable to:		
Equity holders of the Bank	26,818,991	21,485,198
Non-controlling interests	(341,645)	(404,509)
Total comprehensive income for the year	26,477,346	21,080,689

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Hussein H. Eid
Group Chief Financial Officer



Tareq A. Al Sadhan
Group Chief Executive Officer



Saeed M. Al-Ghamdi
Chairman

2025	Note	Attributable to equity holders of the Bank											Non-controlling interests	Total equity		
		Other reserves														
		Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserve	FVOCI financial instruments reserve	Employees' share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Tier 1 Sukuk				
Balance as at 1 January 2025		60,000,000	63,701,800	(2,099,227)	46,481,447	(32,755)	(3,372,171)	460,764	14,351,188	(8,113,107)	171,377,939	21,187,500	192,565,439	709,822	193,275,261	
Net income for the year		-	-	-	-	-	-	-	25,013,279	-	25,013,279	-	25,013,279	(21,718)	24,991,561	
Other comprehensive income/(loss) for the year		-	-	-	-	(92,056)	2,547,859	-	-	(650,091)	1,805,712	-	1,805,712	(319,927)	1,485,785	
Total comprehensive income/(loss) for the year		-	-	-	-	(92,056)	2,547,859	-	25,013,279	(650,091)	26,818,991	-	26,818,991	(341,645)	26,477,346	
Other consolidation adjustments		-	-	-	-	-	-	-	(228)	-	(228)	-	(228)	(32,970)	(33,198)	
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	82,097	-	(44,685)	-	863,710	-	901,122	-	901,122	213,530	1,114,652	
Transfer to statutory reserve		-	-	-	6,250,731	-	-	-	(6,250,731)	-	-	-	-	-	-	
Tier 1 Sukuk issued	25	-	-	-	-	-	-	-	-	-	-	2,665,184	2,665,184	-	2,665,184	
Tier 1 Sukuk called	25	-	-	-	-	-	-	-	-	-	-	(6,200,000)	(6,200,000)	-	(6,200,000)	
Tier 1 Sukuk related costs	25	-	-	-	-	-	-	-	(1,037,305)	-	(1,037,305)	-	(1,037,305)	-	(1,037,305)	
Purchase of treasury shares for employee's based payment plan	22	-	-	(581,834)	-	-	-	-	(467)	-	(582,301)	-	(582,301)	-	(582,301)	
Settlement of vested share based payment plan via treasury shares	22	-	-	94,818	-	-	-	(133,014)	38,196	-	-	-	-	-	-	
Employees' share based payments plan reserve - charged to the consolidated statement of income	22	-	-	-	-	-	-	147,609	-	-	147,609	-	147,609	-	147,609	
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	(652,405)	-	652,405	-	-	-	-	-	-	
Final dividend paid for 2024	26	-	-	-	-	-	-	-	(6,000,000)	-	(6,000,000)	-	(6,000,000)	-	(6,000,000)	
Interim dividend paid for 2025	26	-	-	-	-	-	-	-	(6,000,000)	-	(6,000,000)	-	(6,000,000)	-	(6,000,000)	
Balance as at 31 December 2025		60,000,000	63,701,800	(2,586,243)	52,814,275	(124,811)	(1,521,402)	475,359	21,630,047	(8,763,198)	185,625,827	17,652,684	203,278,511	548,737	203,827,248	

2024	Note	Attributable to equity holders of the Bank											Non-controlling interests	Total equity		
		Other reserves														
		Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI financial instruments reserve	Employees' share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Tier 1 Sukuk				
Balance as at 1 January 2024		60,000,000	63,701,800	(2,202,680)	41,115,165	(447,331)	(3,270,946)	414,543	9,157,165	(7,750,343)	160,717,373	15,187,500	175,904,873	723,840	176,628,713	
Net income for the year		-	-	-	-	-	-	-	21,192,995	-	21,192,995	-	21,192,995	(99,349)	21,093,646	
Other comprehensive income/(loss) for the year		-	-	-	-	414,576	240,391	-	-	(362,764)	292,203	-	292,203	(305,160)	(12,957)	
Total comprehensive income/(loss) for the year		-	-	-	-	414,576	240,391	-	21,192,995	(362,764)	21,485,198	-	21,485,198	(404,509)	21,080,689	
Other consolidation adjustments		-	-	-	-	-	-	(20,387)	-	-	(20,387)	-	(20,387)	-	(20,387)	
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	-	-	(372,589)	-	955,371	-	582,782	-	582,782	390,491	973,273	
Transfer to statutory reserve		-	-	-	5,366,282	-	-	-	(5,366,282)	-	-	-	-	-	-	
Tier 1 Sukuk issued	25	-	-	-	-	-	-	-	-	-	-	6,000,000	6,000,000	-	6,000,000	
Tier 1 Sukuk called	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tier 1 Sukuk related costs	25	-	-	-	-	-	-	-	(764,076)	-	(764,076)	-	(764,076)	-	(764,076)	
Purchase of treasury shares for employee's based payment plan	22	-	-	-	103,453	-	-	-	(110,441)	6,988	-	-	-	-	-	
Settlement of vested share based payment plan via treasury shares	22	-	-	-	-	-	-	177,049	-	-	177,049	-	177,049	-	177,049	
Employees' share based payments plan reserve - charged to the consolidated statement of income	22	-	-	-	-	-	-	177,049	-	-	177,049	-	177,049	-	177,049	
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	30,973	-	(30,973)	-	-	-	-	-	-	
Final dividend paid for 2023	26	-	-	-	-	-	-	-	(5,400,000)	-	(5,400,000)	-	(5,400,000)	-	(5,400,000)	
Interim dividend paid for 2024	26	-	-	-	-	-	-	-	(5,400,000)	-	(5,400,000)	-	(5,400,000)	-	(5,400,000)	
Balance as at 31 December 2024		60,000,000	63,701,800	(2,099,227)	46,481,447	(32,755)	(3,372,171)	460,764	14,351,188	(8,113,107)	171,377,939	21,187,500	192,565,439	709,822	193,275,261	

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



 Hussein H. Eid
 Group Chief Financial Officer



 Tareq A. Al Sadhan
 Group Chief Executive Officer



 Saeed M. Al-Ghamdi
 Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED 31 DECEMBER (Amounts in '000)

	Note	2025	2024
<u>OPERATING ACTIVITIES</u>			
Income for the year before zakat and income tax		27,896,733	23,614,771
Adjustments to reconcile income for the year before zakat and income tax to net cash from/(used in) operating activities:			
Amortisation of (discount)/premium on non-FVIS financial instruments, net		(241,434)	(273,711)
(Gains)/losses on non-FVIS financial instruments, net		(558,687)	(76,584)
(Gains)/losses on disposal of property, equipment and software, net		(5,849)	7,020
Loss on disposal of other repossessed assets		31,113	74,778
Depreciation/amortisation of property, equipment, software, and right of use assets	8 & 9	1,484,087	1,787,774
Impairment charge/(reversal) for expected credit losses, net	6 & 7	1,034,143	1,018,805
Amortisation of intangible assets	39	820,280	820,280
Share based payments plan expense	22	189,963	216,123
Net monetary loss/(gain) from the application of IAS 29-Hyperinflationary economies		293,267	266,065
		30,943,616	27,455,321
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(1,528,463)	224,964
Due from banks and other financial institutions with original maturity of more than three months, net		1,193,639	(1,301,296)
Held at fair value through income statement (FVIS) investments		(5,735,977)	(3,514,354)
Financing and advances, net		(80,964,521)	(59,190,358)
Positive fair value of derivatives		184,994	(6,192,818)
Other assets		2,523,908	(2,729,821)
Net increase/(decrease) in operating liabilities:			
Due to banks, central banks and other financial institutions		5,294,738	4,195,542
Customers' deposits		60,482,656	(6,166,471)
Negative fair value of derivatives		(519,320)	5,768,182
Zakat and income tax paid		(2,640,537)	(2,313,312)
Other liabilities		(1,352,321)	1,635,491
Net cash generated from/(used in) operating activities		7,882,412	(42,128,930)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale and maturity of non-FVIS investments		57,725,518	53,135,318
Purchase of non-FVIS investments		(77,222,071)	(74,881,251)
Purchase of property, equipment and software	8	(2,146,606)	(1,911,526)
Proceeds from disposal of property and equipment		48,987	71,583
Net cash generated from/(used in) investing activities		(21,594,172)	(23,585,876)
<u>FINANCING ACTIVITIES</u>			
Debt securities and term-loans issued	14	176,446,942	117,958,964
Debt securities and term-loans payment	14	(139,270,601)	(65,261,920)
Tier 1 Sukuk issuance	25	2,665,184	6,000,000
Tier 1 Sukuk called	25	(6,200,000)	-
Tier 1 Sukuk related costs	25	(1,037,305)	(764,076)
Lease liabilities paid		(796,955)	(354,300)
Purchase of treasury shares	22	(581,834)	-
Final dividend paid for 2024 and 2023	26	(6,000,000)	(5,400,000)
Interim dividend paid for first half of 2025 and 2024	26	(6,000,000)	(5,400,000)
Net cash generated from/(used in) financing activities		19,225,431	46,778,668
Net increase/(decrease) in cash and cash equivalents		5,513,671	(18,936,138)
Foreign currency translation reserve - net movement in cash and cash equivalents at the beginning of the year		(433,513)	(542,423)
Cash and cash equivalents at the beginning of the year		21,001,893	40,480,454
Cash and cash equivalents at the end of the year	27	26,082,051	21,001,893
Special commission income received during the year		60,409,076	56,629,719
Special commission expense paid during the year		29,925,811	29,613,491
<u>Supplemental non-cash information</u>			
Movement in other reserves and transfers to the consolidated statement of income		2,226,611	1,534,320

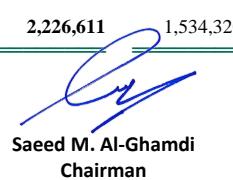
The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Hussein H. Eid
Group Chief Financial Officer



Tareq A. Al Sadhan
Group Chief Executive Officer



Saeed M. Al-Ghamdi
Chairman

The Saudi National Bank

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2025 and 2024 (Amounts in '000)

1 GENERAL

(1.1) Introduction

The Saudi National Bank (the "Bank") is a Saudi Joint Stock Company that was formed and licensed under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (corresponding to 15 May 1950) and registered under commercial registration number 4030001588 dated 19 Safar 1418H (corresponding to 26 June 1997). The Bank is regulated by the Saudi Central Bank (SAMA).

The objective of the Group is to provide a full range of banking and investment management services. The Group also provides non-special commission based banking products in compliance with Shariah rules, which are approved and supervised by an independent Shariah Board established by the Bank.

The Bank operates through its 481 branches (31 December 2024: 481 branches), 23 retail service centers (31 December 2024: 21 centers) and 93 QuickPay remittance centers (31 December 2024: 93 centers) in the Kingdom of Saudi Arabia and four overseas branches in the Kingdom of Bahrain, the United Arab Emirates, Qatar and the Republic of Singapore. The Board of Directors in their meeting dated 23 November 2015 resolved to close the Bank's branch operations domiciled in Beirut, Lebanon. The required regulatory approvals have been received and the legal formalities in respect of the closure of the branch are in progress.

The Bank's Head Office is located at the following address:

The Saudi National Bank Tower
King Abdullah Financial District
King Fahd Road,
3208 Al Aqeeq District,
Riyadh 13519 - 6676,
Kingdom of Saudi Arabia

These financial statements comprise the consolidated financial statements of The Saudi National Bank and its subsidiaries (collectively referred to as the "Group").

1 GENERAL (continued)

(1.2) Group's subsidiaries

The details of the Group's significant subsidiaries are as follows:

Name of subsidiary	Ownership %		Functional currency	Description
	2025	2024		
SNB Capital Company (SNBC)	100.00%	100.00%	Saudi Arabian Riyal	A Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank's investment services and asset management activities.
SNB Capital Dubai Inc.	100.00%	100.00%	US Dollar	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.
SNB Capital Real Estate Investment Company (REIC)	100.00%	100.00%	Saudi Arabian Riyal	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.
Türkiye Finans Katılım Bankası A.Ş. (TFKB)	67.03%	67.03%	Turkish Lira	A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.
				TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlık Kiralama A.Ş. which are special purpose entities (SPEs), fully owns the issued share capital by TFKB. TF Varlık Kiralama AŞ, (TFVK) established in connection with issuance of sukuk by TFKB and TFKB Varlık Kiralama A.Ş., established in connection with issuance of sukuk by TFKB's clients.
Real Estate Development Company For Management and Ownership Limited (REDCO)	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralized real estate properties for the employees of SNB. Pursuant to management resolution Samba Real Estate has been merged with REDCO effective on 18 May 2024.
SNB Market Limited	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in trading derivatives and Repos/Reverse Repos on behalf of the Bank in conducting transaction based on netting jurisdiction.
Eastgate MENA Direct Equity L.P.	100.00%	100.00%	US Dollar	A private equity fund domiciled in the Cayman Islands. The Fund's investment objective is to generate returns via investments in direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).
Itqan Quality for Business Solutions Company	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom. Formerly known as AlAhli Outsourcing Company "AlAhli Esnad".
Samba Bank Limited (SBL)	84.51%	84.51%	Pakistani Rupee	A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange.
SNB Global Limited	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in trading derivatives and Repos/Reverse Repos on behalf of the Bank in conducting transaction based on netting jurisdiction.
SNB Funding Limited	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.
Al-Ghad Financial Company (Digital Ventures)	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in selling of point of sale (POS) equipment and devices.
NEO Company	100.00%	-	Saudi Arabian Riyal	A Joint Stock Company registered in the Kingdom of Saudi Arabia, engaged in consumer microfinancing.

2 BASIS OF PREPARATION**(2.1) Statement of compliance**

The consolidated financial statements of the Group have been prepared:

- In accordance with International Financial Reporting Standards (IFRS® Accounting Standards) as endorsed in the Kingdom of Saudi Arabia and in compliance with other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA); as collectively referred to IFRSs that are endorsed in KSA; and
- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

(2.2) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at FVIS and FVOCI 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 consolidated statement of financial position is stated in order of liquidity.

(2.3) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (₽) which is also the Bank's functional currency and have been rounded off to the nearest thousand Saudi Arabian Riyals, except as otherwise indicated.

(2.4) Basis of consolidation

The consolidated financial statements comprise the financial statements of The Saudi National Bank and its subsidiaries (see note 1.2). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Intra-group balances, and income and expenses (except for foreign currency transactions gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(2.5) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. 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 resources to continue doing business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

(2.6) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

2 BASIS OF PREPARATION (continued)**(2.6) Critical accounting judgements, estimates and assumptions (continued)**

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

(a) Fair value of financial instruments that are not quoted in an active market

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

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

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see note 34).

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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(b) Judgement of equity vs liability for Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Group subject to certain terms and conditions and essentially mean that the remedies available to sukukholders are limited in number and scope and very difficult to exercise.

(c) Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The subsidiaries are regarded as a CGU for the purpose of impairment testing of their respective goodwill. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets including the intangible assets in the unit (or group of units) on a pro rata basis on condition that the carrying amount of other assets should not be reduced below their fair values.

2 BASIS OF PREPARATION (continued)**(2.6) Critical accounting judgments and estimates and assumptions (continued)****(c) Impairment of non-financial assets (continued)**

Where goodwill forms part of a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained. Please refer note 39 for more details.

When subsidiaries are sold, the difference between the selling price and the net assets plus any cumulative foreign currency translation reserve and unimpaired goodwill is recognised in the consolidated statement of income.

The previously recognised impairment loss in respect of goodwill cannot be reversed through the consolidated statement of income.

Non-financial assets held under Murabaha arrangements are measured at their lower of cost and net realizable value. Net realizable value is the estimated selling price, less selling expenses. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognised in the consolidated statement of income under other operating income/(expense), net.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Determination of control over investment funds

The Group acts as a 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.

(e) Provisions for liabilities and charges

The Group receives legal claims in the ordinary course of business. Management makes judgments in assessing the risk that might exists in such claims. It also sets appropriate provisions against probable losses. The claims are recorded or disclosed, as appropriate, in the consolidated financial statements based on the best estimates of the amounts required to settle these claims.

(f) Measurement of defined benefit obligations

The Group maintains an end of service benefit plan for its employees and to arrive at the estimated obligation as at the reporting date, the Group uses assumptions such as the discount rate, expected rate of salary increase, attrition and normal retirement age.

(g) Useful lives of property, equipment and other software, and right of use assets

Management determines the estimated useful lives of its property, equipment and software for calculating depreciation/amortisation. This estimate is determined after considering the expected usage of the asset or its physical wear and tear. The residual value, useful lives and future depreciation/amortisation charges are revised by the management where they believe the useful lives differ from previous estimates.

(h) Impairment charge for expected credit losses

The Group exercises judgement and applies the use of various assumptions in the determination of expected credit losses (refer note 3).

(i) Classification of financial instruments

The Group exercises judgement for the classification of financial instruments (refer note 3).

(j) Hyperinflationary economy

Turkey has been considered as a hyperinflationary economy since the second quarter of 2022. TFKB uses the index published by the Turkish Statistical Institute to arrive at the below conversion factors that represents the ratio of hyperinflated balances to historical cost:

Item	31 December 2025	31 December 2024
Index	3,513.87	2684.55
Conversion factor	1.3089	1.4438

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(3.1) Changes in accounting policies, estimates and assumptions

(a) Material accounting policies, estimates and assumptions

The accounting policies, estimates and assumptions adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025, which is explained in (c) below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2025. Management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standards, amendments, interpretations	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.	1 January 2025

(c) Accounting standards issued but not yet effective

The International Accounting Standards Board (IASB) has issued the following standards and amendments which will become effective on or after 1 January 2026. The Group is evaluating the impact on future financial statements, if any, of adopting these pronouncements.

Standards, amendments, interpretations	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.	1 January 2026
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.	1 January 2026
IFRS 18 - presentation and disclosure in financial statements	This standard sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure the entity provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply International Financial Reporting Standards (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 International Financial Reporting Standards (IFRS® Accounting Standards).	1 January 2027

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.2) Classification of financial assets

On initial recognition, a financial asset is classified as held at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through income statement ("FVIS").

Financial asset held at amortised cost

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

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

Financial asset held at Fair Value through other Comprehensive Income ('FVOCI')

Debt instruments

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

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

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

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 the statement of other comprehensive income. This election is made on an investment-by-investment basis.

Financial asset held at Fair Value through Income Statement ('FVIS')

All financial assets, not classified as held at amortised cost or FVOCI are classified as FVIS.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVIS 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.

(3.3) Business model assessment

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.4) Assessments whether contractual cash flows are Solely Payments of Principal and Interest ("SPPI" criteria)

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

(3.5) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(3.6) Settlement date accounting

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

(3.7) Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, swaptions, currency and interest rate options (both written and purchased) are measured at fair value. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

(3.7.1) 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 for the year and are disclosed in trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting as described below.

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

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

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

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.7) Derivative financial instruments and hedge accounting (continued)

(3.7.2) Hedge accounting (continued)

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

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 recognised in the consolidated statement of income in 'Trading income, net'. 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.

(3.7.3) Fair value hedges

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. Any gain or loss on the hedged item attributable to fair value changes relating to the risks being hedged is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income (in the same line item as the hedging instrument). Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the consolidated statement of income over the remaining life of the instrument.

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

(3.7.4) Cash flow hedges

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other reserves under equity 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 transaction affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognised in consolidated statement of 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 recognised.

Hedge accounting is discontinued 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 reserves from the period when the hedge was effective is transferred from equity to the consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the consolidated statement of income, the net cumulative gain or loss recognised in other reserves is transferred immediately to the consolidated statement of income.

(3.7.5) 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 the statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

(3.7.6) Credit valuation adjustment (CVA) /debit valuation adjustment (DVA) methodology

Fair values of over the counter (OTC) derivatives take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) to reflect the potential counterparties and/or Group default, that is calculated based on their respective annual probability of default (PD) and loss given default (LGD), wherein the Group or counterparties may not receive or pay the fair values in its entirety. Model inputs and values are calibrated against historical data and published forecasts as appropriate, while the calibration process is inherently subjective as it yields ranges of possible inputs and estimates of fair values, yet management uses the best judgement to select the most appropriate value for use in the fair value adjustment.

(3.7.7) Sources of ineffectiveness

Possible sources of ineffectiveness are as follows:

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.8) Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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 recognised in OCI is recognised in the consolidated statement of income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of income on derecognition of such securities, rather, it is transferred to retained earnings.

When assets are sold to a third party with a concurrent total 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 asset.

(3.9) Modifications of financial assets and financial liabilities

(a) 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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented together with the account that most closely relates to the underlying reason for the modification.

(b) 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of income.

(3.10) Foreign currencies

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the bank is Saudi Arabian Riyals. For the functional currencies of the Group's subsidiaries please refer to note 1.2.

(a) Transactions and balances of the bank

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are retranslated into the functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

(b) Foreign operations

As at the reporting date, the assets and liabilities of the foreign operations are translated into the Group's presentation currency at the rate of exchange ruling at the consolidated statement of financial position date. Equity (pre-acquisition) is translated at historical exchange rates at the date of acquisition and income and expenses of the statement of income are translated at the spot exchange rates prevailing at transaction dates on a daily basis. Exchange differences arising on translation are taken directly to a separate component of equity (foreign currency translation reserve) and are recognised in consolidated statement of comprehensive income. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the foreign exchange translation reserve is allocated to the non-controlling interest. The deferred cumulative amount of exchange differences recognised in equity will be reclassified in the consolidated statement of income at the time of any future disposal or partial disposal with loss of control or with loss of control without disposal.

Goodwill and intangible assets arising on the acquisition of the foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

Foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI, are recognised in the consolidated statement of OCI.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.11) Offsetting financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a current 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.

(3.12) Revenue / expenses recognition

(3.12.1) Special commission income and expenses

Special commission income and expense are recognised in the consolidated statement of income using the effective special commission method. Fee income received in connection with financing and advances that are integral component of the effective interest rate are adjusted from the amortized cost of the related financing and advances and recognized in the consolidated statement of income over the life of the respective financial asset. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

When calculating the 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 interest rate is calculated using estimated future cash flows including expected credit losses.

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

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

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

In calculating special commission income and expense, the interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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

(3.12.2) Fee and other income / expenses

Income from FVIS includes all realised and unrealised gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets held for trading and foreign exchange differences on open positions.

Exchange income from banking services is recognised at a point in time. The performance obligation is satisfied when the transaction is carried out which triggers immediate recognition of the income.

Dividend income is recognised when the right to receive dividend income is established.

Fees income and expenses are recognised over a period of time as the service is provided.

Financing commitment fees for financing arrangement that are likely to be drawn down are deferred and recognised as an adjustment to the effective yield on the financing arrangement. Portfolio and other management advisory and service fee income are recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met and agreed with customer. Fee income received on other services that are provided over an extended period of time, is recognised over the period of time on proportionate basis when the service is being provided, if material.

Fee received in connection with syndication financing where the Group acts as the lead arranger and retains no part of the financing for itself (or retains a part at the same effective interest rate "EIR" for comparable risk as other syndicate participants) is recognized upon the execution of the syndicate financing arrangement. Moreover, commitment fee received by the Group where it is unlikely that a specific lending arrangement will be entered into by the counterparty is recognized with reference to nature and execution of related performance obligation.

Success fee is recognized upon satisfaction of the promised performance obligation which generally corresponds to the execution of a specified task or completion of a milestone as agreed with the respective counterparty.

Other fee expenses mainly relate to transaction and services fee, which are expensed as related services are provided.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.13) Sale and repurchase agreements (including securities lending and borrowings)

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with the related accounting policies for investments held at FVIS, FVOCI and amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks, Saudi Central Bank and other financial institutions". 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 consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "Cash and balances with central banks", "due from banks and other financial institutions" or "Financing and advances", as appropriate. The difference between purchase and resale price is treated as special commission income which is accrued over the life of the reverse repo agreement using the effective yield basis.

Securities borrowing and lending transactions are typically secured. Collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the consolidated statement of financial position. Securities borrowed are not recognised on the consolidated statement of financial position, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a loan and receivable or customers' deposits.

(3.14) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition, being total consideration of the acquisition, is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition. For any subsequent acquisitions, the cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and are included in other general and administrative expenses.

Identifiable assets acquired (including previously unrecognised intangible assets) and liabilities (including contingent liabilities) in an acquisition are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the consolidated statement of income. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

(a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

- i) The Group has power over the entity;
- ii) The Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) The Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

The Group invests in structured entities forming part of larger structure with the objective to resell the investment in a short period after acquisition. For all such investment, the Group analyses whether and to what extent it controls the investee and any underlying entities. Moreover, whenever any such investee, controlled by the Group meets the criteria of held for sale, it is accounted as such and the total assets and total liabilities are included under other assets and other liabilities.

(b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the bank in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.14) Business combinations (continued)

(c) Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognised impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

(3.15) Financing and advances

Financing and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Financing and advances are recognised when cash is advanced to borrowers. They are derecognised when either the borrower repays their obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financing and advances are initially measured at fair value of the consideration given.

Following initial recognition, financing and advances for which fair value has not been hedged are stated at amortised cost less any amount written off and ECL allowances for impairment.

For presentation purposes, allowance for expected credit losses is deducted from financing and advances.

(3.16) Due from banks and other financial institutions

Due from banks and other financial institutions are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks and other financial institutions are initially measured at the fair value of the consideration given.

Following initial recognition, due from banks and other financial institutions are stated at amortized cost less any ECL allowance.

(3.17) Other real estate and repossessed assets

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

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 statement of income. Unrealised losses or gains on revaluation, realized gains or losses on disposal are recognized in the consolidated statement of income.

Other real estate assets are presented under other assets in the consolidated statement of financial position.

(3.18) Property, equipment and software

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.18) Property, equipment and software (continued)

The depreciable amount of other property, equipment and software is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Leasehold improvements	Over the lease period or useful economic life whichever is shorter
Furniture, equipment, and vehicles	4-10 years
Software	10-25 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the date of each consolidated statement of financial position.

Software are recognised only when their cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to them will flow to the Group. Software are amortised over the useful economic life and assessed for impairment whenever there is an indication that the software may be impaired. The amortisation period and method for software assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on software is recognised 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. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(3.19) Goodwill and Intangible assets

(3.19.1) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses; impairment loss of goodwill is charged to the consolidated statement of income. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. Please refer to (note 39) for further details.

(3.19.2) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All acquired intangible assets carried on the reporting date have a finite useful life. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Core Deposit Intangible ("CDI") is amortized over a period of 11 years and the Purchased Credit Card Relationships ("PCCR") and Customer Relationships is amortized over a period of 10 years.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

(3.20) Leases

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

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.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.20) Leases (continued)

(3.20.1) Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

(3.20.2) Lease liabilities

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

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

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

(3.20.3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(3.20.4) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to renew the lease of the assets. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.21) Financial liabilities

All money market deposits, customers' deposits and debt securities issued are initially recognised at fair value. Subsequently, all commission bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised and discounts are accreted on an effective yield basis to maturity and taken to special commission expense.

If the modification of a financial liability is not accounted for as derecognition, then the amortised 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 recognised in profit or loss.

(3.22) Financial guarantees and financing 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.

Financing commitments are commitments to provide credit under pre-specified terms and conditions.

In the ordinary course of business, the Group issues letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given; typically the premium received. Subsequent to the initial recognition, the Group's liability under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses net of any cash margin. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income as impairment charge for financing and advances losses, net. The premium received is recognised in the consolidated statement of income as fee income from banking services on a straight line basis over the life of the guarantee, if material.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments, the Group recognises loss allowance for expected credit losses.

(3.23) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events where it is more likely than an outflow of resources will be required to settle the obligation. Provisions are presented under other liabilities. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance charges.

The bank 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 depend on the due process being followed as per law.

(3.24) Expected credit loss (ECL)

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

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

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'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which 12-month ECL are recognized are referred to as 'Stage 1' 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'. The group's financial assets that are measured at amortised cost and debt instrument held at FVOCI fall within these categories.

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

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.24) Expected credit loss (ECL) (continued)

The Group considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, interest rates and house prices) and economic forecasts obtained through internal and external sources.

(3.25) Measurement of ECL

ECL represent probability-weighted estimates of credit losses. These 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 cash flows that the Group expects to receive.

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: 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.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

(3.26) 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 derecognised and ECL is 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; or
- 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.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.27) Credit-impaired financial assets

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a financing 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.

The Financing and advances that have 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 loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

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

Non-performing financing and advances presented in these consolidated financial statements represent credit impaired financing and advances excluding POCI financial assets which are separately disclosed.

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

Allowances for ECL are presented in the consolidated statement of financial position as follows:

Financial assets measured at amortised cost

- As a deduction from the gross carrying amount of the assets.

Loan commitments and financial guarantee contracts

- Generally, as a provision; in other liabilities.

Financial instrument includes both a drawn and an undrawn component

- Where the Group cannot identify the ECL on the financing and advances 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 under other liabilities.

Debt instruments measured at FVOCI

- The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.28) Write-off

Financing and advances and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(3.29) 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, 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 consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the 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 accredited valuers, mortgage brokers, or based on housing price indices.

(3.30) 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 the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

(3.31) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash and 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.

(3.32) Investment management services

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

(3.33) Fiduciary income

In the normal course of business, the Group agrees with the clients to invest the fiduciary assets and commission earned on these investments is recognised in the consolidated statement of income.

(3.34) Banking products that comply with Shariah rules

Beside conventional banking products, the Group offers certain banking products that comply with Shariah rules. These products are approved and overseen by an independent Shariah board and Shariah advisors at the bank and its subsidiaries. Shariah compliant products are treated under International Financial Reporting Standards (IFRS® Accounting Standards) and in accordance with the accounting policies used in the preparation of these consolidated financial statements.

Banking products that comply with Shariah rules are based on several Islamic types, including but not limited to:

(3.34.1) Murabaha

Murabaha is a financing agreement whereby the bank purchases and owns commodities based on client's request and sells them to the client with a specified agreed price (cost plus a profit margin) and paid as agreed.

Examples of products in which the bank uses Murabaha are residential finance, commercial real estate, trade finance, commercial finance, deposit products for customers and inter-bank Murabaha.

(3.34.2) Tawarruq

Tawarruq is financing instrument for customers in need of cash financing. It involves the bank buying commodities from international or local markets and selling them to customers at agreed-upon deferred installment terms. Customers, on their own, or by appointing an agent, resell the commodities to third parties for cash.

Examples of products in which the bank uses Tawarruq are in residential finance for individuals (self-construction/sale on the map), personal finance, credit cards, corporate finance, structured finance, syndications, as well as interbank transactions.

(3.34.3) Ijara

The bank has two types of Ijara. First, where the bank purchases assets, upon the request of customers (lessee), on cash basis and leases them to customers for an agreed-upon rent to be settled in agreed-upon installments. Second is forward Ijara, which is a contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline.

In the Ijara contract, the bank promises to transfer ownership of the assets to its customers at the end of the lease period, either by sale at nominal prices or in the form of grants.

Examples of products in which the bank uses Ijara are auto lease with promises to transfer ownership, residential finance, commercial real estate finance, and structured finance. The main uses of forward Ijara are in structured finance.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.34) Banking products that comply with Shariah rules (continued)

(3.34.4) Mudarabah

Mudaraba is a form of participation in profit where the client provides the capital to the bank or vice versa depending on the product type. The capital owner is called the “Rab Almaal” and the worker is “Mudharib”. The worker's duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, “Rab Almaal” has to bear all the losses from his capital and the “Mudharib” loses his efforts.

Examples of the products in which the bank uses the Mudaraba are Islamic Mudaraba Certificates, Mudaraba Call Accounts, and Tier 1 Sukuks.

(3.34.5) Promise

Promise is a mandatory commitment by the bank to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedge against fluctuations in index prices, commodity prices and currency prices.

Examples of products in which the bank uses the promise are structured hedging products and structured investment products.

All the above Shariah-compliant financing products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in financing and advances.

(3.35) Shariah-compliant deposit products

The group offers its customers certain deposit products that comply with Shariah rules. These are approved and overseen by an independent Shariah boards at the bank and its subsidiaries.

(3.35.1) AlKhairaat

AlKhairaat is a Shariah-compliant product based on commodity Murabaha. The Group acts as an agent for its customers in purchasing commodities on their behalf with their funds and then purchases these commodities for its own account from customers at agreed-upon price and deferred maturities (3, 6, 9 or 12 months). Being a retail product, customers are allowed to choose the investment amount, tenure, and currency. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.

(3.35.2) Structured AlKhairaat

This product is an enhanced deposit product which provides a Shariah compliant alternative to structured deposits. It combines AlKhairaat placement with a promise to enter into a secondary Murabaha transaction for the benefit of the customer where the profit will be linked to a predetermined index. These are capital protected up to a specified percentage (typically 95-100%).

These Shariah-compliant deposit products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in customers' deposit.

(3.36) Shariah-compliant treasury products

The group offers its customers certain treasury products that comply with Shariah rules. These products are approved and overseen by an independent Shariah boards and Shariah advisor at the bank and its subsidiaries.

(3.36.1) Structured Hedging Products

These products are offered to clients to hedge their existing exposure to foreign currencies. It is based on the concept of Waad (binding promise) where the Group promises to buy/sell a particular amount of foreign currency at an agreed upon price. It may include only one Waad or a combination of Waads.

(3.36.2) Structured Investment Products

These products are offered to clients to offer them a return that is typically higher than a standard AlKhairaat. There are based on the structured AlKhairaat product and are designed to give the customers exposure to a number of indices including foreign currencies, precious metals and Shariah compliant equity indices.

(3.36.3) Rates Products

These products are offered to clients who have exposure to fixed/floating rates and need hedging solutions. The products are designed around the concept of Waad to enter into Murabaha where the profit is based on a rates index or formula. It may include only one Waad or a combination of Waads.

(3.36.4) Commodity Products

These products are offered to clients who have exposure to commodity prices and need hedging solutions. These products are designed around the concept of Waad to enter into Murabaha where the profit is based on a commodity price index. It may include only one Waad or a combination of Waads.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.37) Treasury shares

Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

(3.38) End of service benefits

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

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

- Service costs comprise current service costs, past service costs (resulting from plan amendments or curtailments) and any gains or losses on settlement.
- 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.

Benefits payable to the employees of the Group at the end of their services are accrued based on actuarial valuation and are included in other liabilities in the consolidated statement of financial position.

(3.39) Staff remuneration

The bank's Board of Directors and its Nomination and Remuneration Committee oversee the design and implementation of the bank's Remuneration system in accordance with updated SAMA banks Remuneration rules, local statutory requirements of the foreign branches and subsidiaries.

The Nomination and Remuneration Committee was established by the Board of Directors and is composed of four independent and non-executive members including the Chairman of the Committee. The Committee's Rules and responsibilities are in line with SAMA Banking Remuneration Rules.

The Committee is responsible for the development and implementation of the remuneration system and oversight of its execution, with the objective of preventing excessive risk-taking and promoting corporate financial soundness. The Committee submits its recommendations, resolutions and reports to the Board of Directors for approval.

Key elements of remuneration in the bank:

(3.39.1) Fixed remuneration

The fixed compensation includes salaries, allowances and benefits. Salaries are set in relation to market rates to attract, retain and motivate talented individuals. Salary administration is based on key processes such as job evaluation, performance appraisal and pay scales structure. The competitiveness of pay scales is monitored and maintained through participation in regular market pay surveys.

(3.39.2) Variable remuneration

Variable remuneration aims at driving performance and limiting excessive risk taking. The Group operates three plans under variable compensation:

(a) Short term incentive plan (annual performance bonus)

The annual performance bonus aims at supporting the achievement of a set of annual financial and non-financial objectives. The financial objectives relate to the economic performance of the Group's business, while the non-financial objectives relate to some other critical objectives relating, for example, to complying with risk and control measures, employees development, teamwork, staff morale etc.

The Group has established a regular performance appraisal process aimed at assessing employees' performance and contribution. Annual performance bonus payments are based on employee contributions, business performance and the group's overall results. The overall annual performance bonus pool is set as a percentage of the group's net income, adjusted to reflect the core performance of the employees. The group does not operate a guaranteed bonus plan.

The cost of this plan is recognised in the consolidated statement of income of the year to which it relates.

(b) Short term incentive plan (annual performance incentive)

The bank runs several incentive plans to motivate employees based in revenue generating organizational areas, and improve their efficiency and performance. Frequency of incentive payments during the year is determined by the concerned Business groups/divisions and applied to the sales, collection, and other eligible employees as per the approved incentive scheme. The incentive pool is treated as cost of business, depending on the relevant business area.

(c) Share based payment plan

The bank maintains an equity-settled share based payment plan for its key management. The grant-date fair value of such share-based payment arrangement granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The share-based awards vest at 100% (cliff vesting) in the form of shares by the end of the third year, subject to the vesting eligibility based on employment status as per the banks approved policy.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.39) Staff remuneration (continued)

(3.39.2) Variable remuneration (continued)

(c) Share based payment plan (continued)

If the employees are not entitled to dividends declared during the vesting period, then the fair value of these equity instruments is reduced by the present value of dividends expected to be paid compared with the fair value of equity instruments that are entitled to dividends. If the employees are entitled to dividends declared during the vesting period, then the accounting treatment depends on whether the dividends are forfeitable. Forfeitable dividends are treated as dividend entitlements during the vesting period. If the vesting conditions are not met, then any true-up of the share-based payment would recognise the profit or loss effect of the forfeiture of the dividend automatically because the dividend entitlements are reflected in the grant-date fair value of the award.

In cases, where an award is forfeited (i.e. when the vesting conditions relating to award are not satisfied), the bank reverses the expense relating to such awards previously recognised in the consolidated statement of income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The bank acquires its own shares in connection with the anticipated grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the group passes to the employees, the unallocated/non-vested shares are treated as treasury shares.

(3.39.3) Deferral on Variable Remuneration

In line with SAMA's requirements, the Bank aligns variable remuneration with long-term risk outcomes, ensuring it does not encourage excessive risk-taking behaviors that may lead to material losses.

The deferral Plan is designed to align employee remuneration with the Bank's long-term strategic objectives, risk management framework, and sustainability goals. By fostering accountability, encouraging sound decision-making, and integrating risk considerations, the plan ensures that performance incentives promote sustainable business outcomes while cultivating a culture of integrity, prudence, and responsibility.

Deferral on variable remuneration applies to key individuals whose decisions significantly influence the Bank's risk profile and overall performance. These individuals include senior management, material risk-takers, material risk controllers, and other roles with oversight responsibilities. They are held accountable for aligning their performance with the Bank's strategic priorities and long-term sustainability objectives.

The deferral structure includes a predetermined portion of variable remuneration being deferred over a multi-year period, typically between three and four years. Deferred amounts are distributed in cash on a prorated basis during the vesting period. This structure ensures participants remain aligned with long-term organizational goals and financial sustainability.

Performance metrics are directly tied to measurable outcomes at individual, team, and organizational levels. Key performance indicators (KPIs) include financial performance, adherence to risk management protocols, and compliance with ethical and behavioral standards. This approach rewards consistent performance while mitigating short-term risk-taking behaviors.

Risk adjustments include an ex-ante risk assessment framework, where adjustments are applied before awarding variable remuneration. Variable pay is adjusted if performance outcomes fall outside acceptable bounds of the risk appetite set by the Bank's management. Additionally, an ex-post risk assessment framework evaluates actual performance against risk assumptions. This allows for reductions in the value of deferred remuneration, if necessary, before vesting.

The deferral of variable remuneration underscores the Bank's commitment to responsible and sustainable practices. This approach reinforces a culture of long-term value creation rather than focusing on short-term gains. It aligns remuneration practices with the Bank's strategic priorities, including financial stability and risk mitigation. Additionally, it promotes responsible decision-making by ensuring that rewards are tied to behaviors and outcomes that enhance the Bank's reputation and foster stakeholder trust.

By adopting this approach, the bank ensures that its variable remuneration practices support long-term success while maintaining ethical standards and mitigating risk exposure.

(3.39.4) Clawback Provisions

Clawback refers to the recovery of performance-based variable remuneration by the bank, which has already been paid to employees, including both current and former employees. This recovery applies to all types of variable remuneration, including short-term incentives, annual bonuses, and long-term incentives.

The bank enforces clawback provisions when an employee causes or contributes to losses for the Bank, its customers, or any other party through intentional actions. Such actions may include, but are not limited to, misconduct, fraud, embezzlement, gross negligence, or a material failure in risk management controls. This also covers violations of internal policies, breaches of related rules or regulations, unauthorized disclosure of confidential information, and breaches of non-disclosure agreements.

(3.39.5) Performance Management

The bank aims to foster a high-performance culture by ensuring that employees are provided with clear performance objectives, ongoing coaching and feedback, professional development, and recognition for superior work. The performance of all employees is assessed periodically against agreed performance goals. As part of the performance measurement framework, employee goals and targets are designed to drive good behavior and act in the best interest of the Bank. Additionally, as part of the Bank's behavioral competencies framework, values and conduct standards are assessed during employee performance appraisals.

The performance management system requires line managers to evaluate each employee's contribution alongside their compliance with risk management processes and controls, teamwork, behaviors, and communication. In cases of misconduct, employees will be subject to penalization, which may impact various remuneration elements. This includes, but is not limited to, all types of variable payouts, salary increments, and promotions.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.40) Tier 1 Sukuk

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

(3.41) Government grant

The group recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the group will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognised and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance". Government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the bank recognises 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.

(3.42) General and administrative expenses

These represent operating expenses, other than salaries and employee-related cost, rent and premises-related expenses, depreciation, amortization and other operating expenses – net, and includes items such as cost of outsourced personnel, professional and consultancy expenses, IT related costs, operations, administration expenses and provision for OREO assets.

Moreover, it includes auditors fees for the year ended 31 December 2025 amounting to ₩ 27 million (31 December 2024: ₩ 21 million).

(3.43) Zakat and Income taxes

(a) Current zakat and income taxes

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Zakat and income taxes are charged to the bank's Statements of consolidated income. The Group applies significant judgement in identifying uncertainties over income tax treatments. The nature and the basis for calculation of Zakat is different from that of the income taxes and therefore provision for deferred tax is not applicable for Zakat calculations.

(b) Deferred tax

Deferred tax is recognized using the liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply on the shareholders subject to tax, to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each statement of consolidated financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(c) 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 then depreciated or amortized over the relevant fixed assets/intangibles useful life.

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4 CASH AND BALANCES WITH CENTRAL BANKS

	<u>2025</u>	<u>2024</u>
Cash in hand	8,449,248	7,512,949
Balances with SAMA:		
Statutory deposit	36,130,995	34,602,533
Money market placements and current accounts	342,994	4,216
Cash and balances with central banks	44,923,237	42,119,698

In accordance with article (7) of the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposits with SAMA at stipulated percentages of its deposits liabilities calculated at the end of each Gregorian month. The statutory deposits with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents.

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	<u>2025</u>	<u>2024</u>
Current accounts	12,504,429	9,726,371
Money market placements	9,346,209	10,499,849
Reverse repos	1,121,531	864,200
Expected credit loss allowance	(1,338)	(1,997)
Due from banks and other financial institutions, net	22,970,831	21,088,423

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6 INVESTMENTS, NET

(6.1) Investments are classified as follows:

	Domestic	International	Total
2025			
Fixed rate securities	1,548,350	1,120,609	2,668,959
Floating rate securities	-	2,117	2,117
Equities	1,578,791	508,062	2,086,853
Mutual funds, hedge funds and others	2,166,055	24,375,616	26,541,671
Held at FVIS	5,293,196	26,006,404	31,299,600
Fixed rate securities	14,394,450	61,226,519	75,620,969
Floating rate securities	5,729,771	10,097,111	15,826,882
Equities	759,782	947,774	1,707,556
Mutual funds, hedge funds and others	110,194	365,835	476,029
Held at FVOCI	20,994,197	72,637,239	93,631,436
Fixed rate securities	143,921,986	25,041,190	168,963,176
Floating rate securities	25,109,285	1,016,873	26,126,158
Expected credit loss allowance	(11,488)	(4,692)	(16,180)
Held at amortised cost, net	169,019,783	26,053,371	195,073,154
Investments, net	195,307,176	124,697,014	320,004,190
2024			
Fixed rate securities	1,515,919	1,049,500	2,565,419
Floating rate securities	172,776	241	173,017
Equities	1,069,563	631,377	1,700,940
Mutual funds, hedge funds and others	1,584,363	19,539,885	21,124,248
Held at FVIS	4,342,621	21,221,003	25,563,624
Fixed rate securities	12,332,220	53,392,008	65,724,228
Floating rate securities	5,844,677	9,861,493	15,706,170
Equities	1,657,713	3,208,204	4,865,917
Mutual funds, hedge funds and others	121,018	139,310	260,328
Held at FVOCI	19,955,628	66,601,015	86,556,643
Fixed rate securities	133,738,097	19,691,273	153,429,370
Floating rate securities	24,890,736	2,070,873	26,961,609
Expected credit loss allowance	(16,855)	(7,584)	(24,439)
Held at amortised cost, net	158,611,978	21,754,562	180,366,540
Investments, net	182,910,227	109,576,580	292,486,807

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6 INVESTMENTS, NET (continued)

(6.2) The product-wise breakdown of investments, net is as follows:

	<u>2025</u>	<u>2024</u>
Equities and investment funds	30,812,109	27,951,433
Sukuk issued by Government - Saudi Ministry of Finance (MOF)	160,286,666	136,386,242
Sukuk issued by Government - Other	4,151,244	6,072,406
Sukuk issued by banks and financial institutions	3,505,501	3,828,149
Sukuk issued by others	11,352,771	11,546,711
Bonds issued by Government - Saudi Ministry of Finance (MOF)	18,685,574	26,840,963
Bonds issued by Government - Other	40,239,417	35,146,392
Bonds issued by banks and financial institutions	21,279,378	20,790,082
Bonds issued by others	29,691,530	23,924,429
Investments, net	320,004,190	292,486,807

(6.3) The currency analysis of investments, net is as follows:

	<u>2025</u>	<u>2024</u>
SAR	176,723,878	163,185,918
USD	134,459,579	119,125,807
GBP	483,047	493,678
EUR	1,553,812	501,827
Other currencies	6,783,874	9,179,577
Investments, net	320,004,190	292,486,807

Other currencies mainly comprise of TRY, PKR and SGD.

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6 INVESTMENTS, NET (continued)

(6.4) Investments held at amortised cost

(a) The movement in gross carrying amount of debt instruments held at amortized cost is as follows:

	Stage 1	Stage 2	Stage 3	Total
2025				
Balance as at 1 January 2025	179,935,669	455,310	-	180,390,979
Additions or purchases	32,732,762	-	-	32,732,762
Derecognized on repayment or disposal	(17,576,768)	(70,542)	-	(17,647,310)
Transfer to stage 1	250	(250)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(387,097)	-	-	(387,097)
Balance as at 31 December 2025	194,704,816	384,518	-	195,089,334
2024				
Balance as at 1 January 2024	157,296,109	455,029	-	157,751,138
Additions or purchases	39,834,374	-	-	39,834,374
Derecognized on repayment or disposal	(16,808,817)	-	-	(16,808,817)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(281)	281	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(385,716)	-	-	(385,716)
Balance as at 31 December 2024	179,935,669	455,310	-	180,390,979

6 INVESTMENTS, NET (continued)

(6.4) Investments held at amortised cost (continued)

(b) The analysis of unrealised revaluation gains/(losses) and fair values of investments held at amortised cost is as follows:

2025				
	Carrying value	Gross unrealised gains	Gross unrealised losses	Fair value
Fixed rate securities	168,963,176	607,852	(11,524,081)	158,046,947
Floating rate securities	26,126,158	36,968	(622,754)	25,540,372
Expected credit loss allowance	(16,180)	-	-	(16,180)
Held at amortised cost, net	195,073,154	644,820	(12,146,835)	183,571,139

2024				
	Carrying value	Gross unrealised gains	Gross unrealised losses	Fair value
Fixed rate securities	153,429,370	172,429	(13,734,687)	139,867,112
Floating rate securities	26,961,609	10,694	(374,847)	26,597,456
Expected credit loss allowance	(24,439)	-	-	(24,439)
Held at amortised cost, net	180,366,540	183,123	(14,109,534)	166,440,129

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6 INVESTMENTS, NET (continued)

(6.5) Debt instruments held at FVOCI

The movement in gross carrying amount of debt instruments held at FVOCI is as follows:

2025

Balance as at 1 January 2025	80,852,844	577,554	-	81,430,398
Additions or purchases	39,202,791	-	-	39,202,791
Derecognized on sale or disposal	(29,511,442)	(360,973)	-	(29,872,415)
Change in fair value	920,328	5,891	-	926,219
Transfer to stage 1	8,835	(8,835)	-	-
Transfer to stage 2	(4,974)	4,974	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(239,142)	-	-	(239,142)

Balance as at 31 December 2025

2024

Balance as at 1 January 2024	81,213,712	700,442	-	81,914,154
Additions or purchases	27,338,325	-	-	27,338,325
Derecognized on sale or disposal	(28,021,063)	(87,292)	-	(28,108,355)
Change in fair value	680,598	95,886	-	776,484
Transfer to stage 1	131,482	(131,482)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(490,210)	-	-	(490,210)

Balance as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	80,852,844	577,554	-	81,430,398
Additions or purchases	39,202,791	-	-	39,202,791
Derecognized on sale or disposal	(29,511,442)	(360,973)	-	(29,872,415)
Change in fair value	920,328	5,891	-	926,219
Transfer to stage 1	8,835	(8,835)	-	-
Transfer to stage 2	(4,974)	4,974	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(239,142)	-	-	(239,142)
Balance as at 31 December 2025	91,229,240	218,611	-	91,447,851

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	81,213,712	700,442	-	81,914,154
Additions or purchases	27,338,325	-	-	27,338,325
Derecognized on sale or disposal	(28,021,063)	(87,292)	-	(28,108,355)
Change in fair value	680,598	95,886	-	776,484
Transfer to stage 1	131,482	(131,482)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(490,210)	-	-	(490,210)
Balance as at 31 December 2024	80,852,844	577,554	-	81,430,398

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6 INVESTMENTS, NET (continued)

(6.6) An analysis of changes in expected credit loss allowance for debt instruments held at amortized cost and FVOCI, is as follows:

2025				
Balance as at 1 January 2025				
Net ECL charge/(reversal)	42,290	19,139	-	61,429
Transfer to stage 1	(18,636)	(8,756)	-	(27,392)
Transfer to stage 2	192	(192)	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	-	-	-	-
Balance as at 31 December 2025	23,846	10,191	-	34,037

2024				
Balance as at 1 January 2024				
Net ECL charge/(reversal)	66,703	2,310	-	69,013
Transfer to stage 1	(24,549)	17,094	-	(7,455)
Transfer to stage 2	265	(265)	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(129)	-	-	(129)
Balance as at 31 December 2024	42,290	19,139	-	61,429

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	42,290	19,139	-	61,429
Net ECL charge/(reversal)	(18,636)	(8,756)	-	(27,392)
Transfer to stage 1	192	(192)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	-	-	-	-
Balance as at 31 December 2025	23,846	10,191	-	34,037

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	66,703	2,310	-	69,013
Net ECL charge/(reversal)	(24,549)	17,094	-	(7,455)
Transfer to stage 1	265	(265)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(129)	-	-	(129)
Balance as at 31 December 2024	42,290	19,139	-	61,429

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6 INVESTMENTS, NET (continued)

(6.7.1) The analysis of the composition of investments is as follows:

	Quoted	Unquoted	Total
2025			
Fixed rate securities	2,668,959	-	2,668,959
Floating rate securities	2,117	-	2,117
Equities	249,188	1,837,665	2,086,853
Mutual funds, hedge funds and others	2,294,329	24,247,342	26,541,671
Held at FVIS	5,214,593	26,085,007	31,299,600
Fixed rate securities	74,953,255	667,714	75,620,969
Floating rate securities	8,754,778	7,072,104	15,826,882
Equities	1,688,104	19,452	1,707,556
Mutual funds, hedge funds and others	110,194	365,835	476,029
Held at FVOCI	85,506,331	8,125,105	93,631,436
Fixed rate securities	167,299,497	1,663,679	168,963,176
Floating rate securities	21,313,050	4,813,108	26,126,158
Expected credit loss allowance	(5,088)	(11,092)	(16,180)
Held at amortised cost, net	188,607,459	6,465,695	195,073,154
Investments, net	279,328,383	40,675,807	320,004,190
2024			
Fixed rate securities	2,565,419	-	2,565,419
Floating rate securities	173,017	-	173,017
Equities	999,560	701,380	1,700,940
Mutual funds, hedge funds and others	2,386,551	18,737,697	21,124,248
Held at FVIS	6,124,547	19,439,077	25,563,624
Fixed rate securities	64,856,135	868,093	65,724,228
Floating rate securities	9,040,970	6,665,200	15,706,170
Equities	4,847,940	17,977	4,865,917
Mutual funds, hedge funds and others	121,018	139,310	260,328
Held at FVOCI	78,866,063	7,690,580	86,556,643
Fixed rate securities	151,061,995	2,367,375	153,429,370
Floating rate securities	20,924,300	6,037,309	26,961,609
Expected credit loss allowance	(21,465)	(2,974)	(24,439)
Held at amortised cost, net	171,964,830	8,401,710	180,366,540
Investments, net	256,955,440	35,531,367	292,486,807

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6 INVESTMENTS, NET (continued)

(6.7.2) The analysis of the composition of investments is as follows:

- a) Investments held at amortised cost include investments amounting to ₩ 4,271 million (2024: ₩ 936 million) which are held under a fair value hedge relationship. As at 31 December 2025, the fair value of these investments amounts to ₩ 4,272 million (2024: ₩ 872 million).**
- b) Total investments include Shariah compliant investments amounting to ₩ 189,328 million (31 December 2024: ₩ 165,635 million).**

(6.8) Securities lending transactions

The Group pledges financial assets for securities lending transactions which are generally conducted under terms that are usual and customary for standard securitised borrowing contracts. As at 31 December 2025, securities amounting to ₩ 3,322 million (2024: ₩ 4,008 million) were lent to counterparties under securities lending transactions.

(6.9) The analysis of investments by counterparty is as follows

	<u>2025</u>	<u>2024</u>
Government and Quasi Government	230,235,983	211,696,953
Banks and other financial institutions	37,684,436	41,058,438
Corporates	52,083,771	39,731,416
Investments, net	320,004,190	292,486,807

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7 FINANCING AND ADVANCES, NET

(7.1) Financing and advances, net

2025	Performing financing and advances	Non-performing financing and advances	Total financing and advances	Allowance for financing losses	Purchased or originated credit-impaired	Financing and advances, net
Corporate	273,840,165	1,613,561	275,453,726	(2,904,785)	1,722,863	274,271,804
Micro, Small and Medium Enterprises "MSMEs"	80,199,362	1,798,535	81,997,897	(1,920,274)	102	80,077,725
Wholesale	354,039,527	3,412,096	357,451,623	(4,825,059)	1,722,965	354,349,529
Residential finance	195,572,842	655,778	196,228,620	(1,164,025)	-	195,064,595
Personal finance	99,091,795	274,376	99,366,171	(619,982)	-	98,746,189
Auto lease	19,052,455	36,645	19,089,100	(90,005)	-	18,999,095
Credit cards	6,456,044	61,343	6,517,387	(122,740)	-	6,394,647
Private banking	31,716,288	207,415	31,923,703	(96,193)	-	31,827,510
Retail	351,889,424	1,235,557	353,124,981	(2,092,945)	-	351,032,036
International	20,230,827	353,673	20,584,500	(437,984)	-	20,146,516
Others*	3,782,825	-	3,782,825	-	-	3,782,825
Financing and advances, net	729,942,603	5,001,326	734,943,929	(7,355,988)	1,722,965	729,310,906

2024	Performing financing and advances	Non-performing financing and advances	Total financing and advances	Allowance for financing losses	Purchased or originated credit-impaired	Financing and advances, net
Corporate	238,941,778	2,938,988	241,880,766	(4,880,922)	2,443,093	239,442,937
Micro, Small and Medium Enterprises "MSMEs"	54,084,842	2,279,545	56,364,387	(2,218,149)	8,675	54,154,913
Wholesale	293,026,620	5,218,533	298,245,153	(7,099,071)	2,451,768	293,597,850
Residential finance	181,447,985	1,452,701	182,900,686	(1,848,141)	-	181,052,545
Personal finance	89,878,909	266,260	90,145,169	(671,841)	-	89,473,328
Auto lease	16,790,532	32,154	16,822,686	(108,299)	-	16,714,387
Credit cards	5,493,309	64,929	5,558,238	(99,343)	-	5,458,895
Private banking	47,247,306	234,691	47,481,997	(140,902)	-	47,341,095
Retail	340,858,041	2,050,735	342,908,776	(2,868,526)	-	340,040,250
International	17,179,190	423,060	17,602,250	(437,627)	-	17,164,623
Others*	3,449,623	-	3,449,623	-	-	3,449,623
Financing and advances, net	654,513,474	7,692,328	662,205,802	(10,405,224)	2,451,768	654,252,346

*Others includes margin lending.

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7 FINANCING AND ADVANCES, NET (continued)

(7.1) Financing and advances, net (continued)

Below is a breakdown of Shariah-Compliant financing products:

	Retail	Wholesale	International	Others	Total
2025					
Tawarruq	131,074,041	215,515,466	868,428	-	347,457,935
Murabaha	177,459,198	3,239,213	15,505,752	-	196,204,163
Ijara	37,166,099	12,449,476	1,796,815	-	51,412,390
Other islamic products	-	4,411,364	1,237,939	3,404,542	9,053,845
Total performing financing and advances	345,699,338	235,615,519	19,408,934	3,404,542	604,128,333
Non-performing financing and advances	1,145,183	2,353,271	209,330	-	3,707,784
Allowance for financing losses	(2,074,294)	(3,373,036)	(291,801)	-	(5,739,131)
Purchased or originated credit-impaired	-	1,566,164	-	-	1,566,164
Financing and advances, net	344,770,227	236,161,918	19,326,463	3,404,542	603,663,150
2024	Retail	Wholesale	International	Others	Total
Tawarruq	134,044,884	173,262,775	1,071,567	-	308,379,226
Murabaha	162,054,759	3,273,673	13,197,193	-	178,525,625
Ijara	36,183,758	12,392,264	1,472,565	-	50,048,587
Other islamic products	-	5,858,208	740,801	3,104,660	9,703,669
Total performing financing and advances	332,283,401	194,786,920	16,482,126	3,104,660	546,657,107
Non-performing financing and advances	2,012,642	2,931,037	193,341	-	5,137,020
Allowance for financing losses	(2,769,255)	(5,341,703)	(307,716)	-	(8,418,674)
Purchased or originated credit-impaired	-	2,318,581	-	-	2,318,581
Financing and advances, net	331,526,788	194,694,835	16,367,751	3,104,660	545,694,034

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7 FINANCING AND ADVANCES, NET (continued)

(7.2) The analysis of changes in gross carrying amounts is as follows:

2025

Consolidated

As at 1 January 2025

Net increase/(decrease) during the year

Transfer to stage 1

Transfer to stage 2

Transfer to stage 3

Bad debts written off

Foreign currency translation adjustment

As at 31 December 2025

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	636,077,653	18,143,678	7,984,471	662,205,802
Net increase/(decrease) during the year	85,351,220	(3,600,562)	17,993	81,768,651
Transfer to stage 1	1,528,968	(1,244,027)	(284,941)	-
Transfer to stage 2	(9,180,756)	9,285,489	(104,733)	-
Transfer to stage 3	(1,434,747)	(2,458,946)	3,893,693	-
Bad debts written off	-	-	(6,121,686)	(6,121,686)
Foreign currency translation adjustment	(2,741,115)	(132,570)	(35,153)	(2,908,838)
As at 31 December 2025	709,601,223	19,993,062	5,349,644	734,943,929

2024

Consolidated

As at 1 January 2024

Net increase/(decrease) during the year

Transfer to stage 1

Transfer to stage 2

Transfer to stage 3

Bad debts written off

Foreign currency translation adjustment

As at 31 December 2024

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	572,801,910	28,210,842	7,602,791	608,615,543
Net increase/(decrease) during the year	69,179,489	(9,633,672)	267,020	59,812,837
Transfer to stage 1	3,012,205	(2,790,326)	(221,879)	-
Transfer to stage 2	(4,851,061)	4,908,277	(57,216)	-
Transfer to stage 3	(1,682,809)	(2,392,665)	4,075,474	-
Bad debts written off	-	-	(3,646,943)	(3,646,943)
Foreign currency translation adjustment	(2,382,081)	(158,778)	(34,776)	(2,575,635)
As at 31 December 2024	636,077,653	18,143,678	7,984,471	662,205,802

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7 FINANCING AND ADVANCES, NET (continued)

(7.3) The analysis of changes in expected credit loss allowance (ECL) is as follows:

2025

<u>Consolidated</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	2,245,042	1,443,336	6,716,846	10,405,224
Net impairment charge/(reversal)	(574,909)	1,013,555	2,585,804	3,024,450
Transfer to stage 1	714,086	(477,267)	(236,819)	-
Transfer to stage 2	(185,859)	291,746	(105,887)	-
Transfer to stage 3	(978)	(1,199,087)	1,200,065	-
Bad debts written off	-	-	(6,121,686)	(6,121,686)
Foreign currency translation adjustment	(10,075)	(22,600)	(37,925)	(70,600)
Other movements	80,323	(35,802)	74,079	118,600
As at 31 December 2025	2,267,630	1,013,881	4,074,477	7,355,988

2024

<u>Consolidated</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	1,920,617	3,189,822	5,164,865	10,275,304
Net impairment charge/(reversal)	101,440	(1,248,615)	4,928,963	3,781,788
Transfer to stage 1	766,920	(581,360)	(185,560)	-
Transfer to stage 2	(535,788)	800,677	(264,889)	-
Transfer to stage 3	(1,334)	(749,695)	751,029	-
Bad debts written off	-	-	(3,646,943)	(3,646,943)
Foreign currency translation adjustment	(6,813)	(1,056)	(30,619)	(38,488)
Other movements	-	33,563	-	33,563
As at 31 December 2024	2,245,042	1,443,336	6,716,846	10,405,224

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7 FINANCING AND ADVANCES, NET (continued)

(7.3) The analysis of changes in expected credit loss allowance (ECL) is as follows: (continued)

2025

<u>Retail</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	1,123,307	222,788	1,522,431	2,868,526
Net impairment charge/(reversal)	(456,890)	565,756	1,088,193	1,197,059
Transfer to stage 1	645,894	(434,285)	(211,609)	-
Transfer to stage 2	(153,994)	256,339	(102,345)	-
Transfer to stage 3	(13)	(330,464)	330,477	-
Bad debts written off	-	-	(2,139,868)	(2,139,868)
Foreign currency translation adjustment	-	-	-	-
Other movements	119,656	-	47,572	167,228
As at 31 December 2025	1,277,960	280,134	534,851	2,092,945

2024

<u>Retail</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	1,270,100	308,664	692,747	2,271,511
Net impairment charge/(reversal)	(368,000)	128,011	2,154,400	1,914,411
Transfer to stage 1	723,214	(553,653)	(169,561)	-
Transfer to stage 2	(502,001)	764,990	(262,989)	-
Transfer to stage 3	(6)	(425,224)	425,230	-
Bad debts written off	-	-	(1,317,396)	(1,317,396)
Foreign currency translation adjustment	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2024	1,123,307	222,788	1,522,431	2,868,526

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7 FINANCING AND ADVANCES, NET (continued)

(7.3) The analysis of changes in expected credit loss allowance (ECL) is as follows: (continued)

2025

	Expected credit loss allowance				Total
	Stage 1	Stage 2	Stage 3		
<u>Wholesale</u>					
As at 1 January 2025	1,085,299	1,062,673	4,951,099	7,099,071	
Net impairment charge/(reversal)	(232,403)	445,482	1,439,948	1,653,027	
Transfer to stage 1	65,863	(40,653)	(25,210)	-	
Transfer to stage 2	(30,099)	33,637	(3,538)	-	
Transfer to stage 3	(726)	(866,176)	866,902	-	
Bad debts written off	-	-	(3,878,411)	(3,878,411)	
Foreign currency translation adjustment	-	-	-	-	
Other movements	(39,333)	(35,802)	26,507	(48,628)	
As at 31 December 2025	848,601	599,161	3,377,297	4,825,059	

2024

	Expected credit loss allowance				Total
	Stage 1	Stage 2	Stage 3		
<u>Wholesale</u>					
As at 1 January 2024	619,183	2,665,917	4,207,921	7,493,021	
Net impairment charge/(reversal)	461,493	(1,325,266)	2,729,100	1,865,327	
Transfer to stage 1	38,321	(22,322)	(15,999)	-	
Transfer to stage 2	(32,561)	34,461	(1,900)	-	
Transfer to stage 3	(1,137)	(323,680)	324,817	-	
Bad debts written off	-	-	(2,292,840)	(2,292,840)	
Foreign currency translation adjustment	-	-	-	-	
Other movements	-	33,563	-	33,563	
As at 31 December 2024	1,085,299	1,062,673	4,951,099	7,099,071	

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7 FINANCING AND ADVANCES, NET (continued)

(7.3) The analysis of changes in expected credit loss allowance (ECL) is as follows: (continued)

2025

<u>International</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	36,436	157,875	243,316	437,627
Net impairment charge/(reversal)	114,384	2,317	57,663	174,364
Transfer to stage 1	2,329	(2,329)	-	-
Transfer to stage 2	(1,766)	1,770	(4)	-
Transfer to stage 3	(239)	(2,447)	2,686	-
Bad debts written off	-	-	(103,407)	(103,407)
Foreign currency translation adjustment	(10,075)	(22,600)	(37,925)	(70,600)
Other movements	-	-	-	-
As at 31 December 2025	141,069	134,586	162,329	437,984

2024

<u>International</u>	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	31,334	215,241	264,197	510,772
Net impairment charge/(reversal)	7,947	(51,360)	45,463	2,050
Transfer to stage 1	5,385	(5,385)	-	-
Transfer to stage 2	(1,226)	1,226	-	-
Transfer to stage 3	(191)	(791)	982	-
Bad debts written off	-	-	(36,707)	(36,707)
Foreign currency translation adjustment	(6,813)	(1,056)	(30,619)	(38,488)
Other movements	-	-	-	-
As at 31 December 2024	36,436	157,875	243,316	437,627

7 FINANCING AND ADVANCES, NET (continued)

(7.4) Impairment charge for financing and advances in the consolidated statement of income represents:

2025

Consolidated

	Stage 1	Stage 2	Stage 3	POCI	Total
Net impairment charge/(reversal)	(574,909)	1,013,555	2,585,804	-	3,024,450
Charge/(reversal) against indirect facilities (included in other liabilities)	25,154	72,236	(471,802)	10,826	(363,586)
Recoveries	-	-	(1,318,179)	(394,813)	(1,712,992)
Direct write-off	-	-	64,947	-	64,947
Others	39,587	-	9,129	-	48,716
Net charge for the year	(510,168)	1,085,791	869,899	(383,987)	1,061,535

2024

Consolidated

	Stage 1	Stage 2	Stage 3	POCI	Total
Net impairment charge/(reversal)	101,440	(1,248,615)	4,928,963	-	3,781,788
Charge/(reversal) against indirect facilities (included in other liabilities)	11,228	4,868	(614,838)	285,418	(313,324)
Recoveries	-	-	(1,156,384)	(1,366,927)	(2,523,311)
Direct write-off	-	-	71,104	-	71,104
Others	10,304	(1,164)	863	-	10,003
Net charge for the year	122,972	(1,244,911)	3,229,708	(1,081,509)	1,026,260

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7 FINANCING AND ADVANCES, NET (continued)

(7.5) Economic sector risk concentrations for financing and advances and allowances for financing losses are as follows:

	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
2025				
Government and quasi government	15,620,599	(1,928)	-	15,618,671
Banks and other financial institutions	42,037,675	(12,549)	-	42,025,126
Agriculture and fishing	702,239	(6,454)	-	695,785
Manufacturing	46,974,118	(395,313)	-	46,578,805
Mining and quarrying	9,975,582	(39,733)	-	9,935,849
Electricity, water, gas and health services	64,190,935	(364,899)	-	63,826,036
Building and construction	12,589,327	(817,694)	104,949	11,876,582
Commerce	98,997,504	(2,709,381)	1,553,645	97,841,768
Transportation and communication	36,746,296	(140,630)	-	36,605,666
Consumers	353,124,981	(2,092,945)	-	351,032,036
Others	53,984,673	(774,462)	64,371	53,274,582
Financing and advances, net	734,943,929	(7,355,988)	1,722,965	729,310,906

	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
2024				
Government and quasi government	14,853,345	(1,666)	-	14,851,679
Banks and other financial institutions	33,422,786	(22,107)	-	33,400,679
Agriculture and fishing	431,499	(4,486)	-	427,013
Manufacturing	43,397,029	(1,081,239)	-	42,315,790
Mining and quarrying	15,557,669	(15,004)	-	15,542,665
Electricity, water, gas and health services	54,236,035	(387,539)	-	53,848,496
Building and construction	11,128,345	(1,381,408)	83,479	9,830,416
Commerce	76,705,813	(3,866,460)	2,310,068	75,149,421
Transportation and communication	25,966,101	(88,854)	-	25,877,247
Consumers	342,908,776	(2,868,526)	-	340,040,250
Others	43,598,404	(687,935)	58,221	42,968,690
Financing and advances, net	662,205,802	(10,405,224)	2,451,768	654,252,346

7 FINANCING AND ADVANCES, NET (continued)**(7.6) The details of finance lease receivables (including Ijara) included in financing and advances is as follows:**

	<u>2025</u>	<u>2024</u>
Gross finance lease receivables:		
Less than 1 year	14,633,309	13,442,645
1 to 5 years	21,842,838	19,619,689
Over 5 years	23,314,445	25,476,192
Total	59,790,592	58,538,526
Unearned finance income on finance leases:		
Less than 1 year	(2,210,061)	(2,038,803)
1 to 5 years	(2,764,407)	(2,549,352)
Over 5 years	(3,403,734)	(3,901,784)
Total	(8,378,202)	(8,489,939)
Net finance lease receivables:		
Less than 1 year	12,423,248	11,403,842
1 to 5 years	19,078,431	17,070,337
Over 5 years	19,910,711	21,574,408
Total	51,412,390	50,048,587

Allowance for expected credit losses is ₩ 186 million (2024: ₩ 283 million).

8 PROPERTY, EQUIPMENT AND SOFTWARE, NET

	2025						2024					
	Land	Building	Furniture, equipment and vehicles	Software	Capital work in progress	Total	Land	Building	Furniture, equipment and vehicles	Software	Capital work in progress	Total
Cost:												
At beginning of the year	2,095,908	8,176,012	5,937,995	5,065,760	1,600,629	22,876,304	1,974,622	7,809,301	5,245,511	4,484,270	1,145,857	20,659,561
Impact of hyperinflation	98,790	126,200	143,092	146,326	9,272	523,680	168,797	230,686	169,205	150,702	10,012	729,402
Foreign currency translation adjustment	(69,484)	(81,205)	(104,313)	(99,817)	(8,508)	(363,327)	(47,511)	(43,514)	(81,042)	(71,180)	(3,781)	(247,028)
Additions	18,230	50,351	210,682	79,601	1,787,742	2,146,606	-	192,846	488,501	135,904	1,094,275	1,911,526
Disposals and retirements	(32,365)	(93,516)	(62,184)	-	-	(188,065)	-	(66,048)	(79,253)	(25,433)	(6,423)	(177,157)
Transfer from capital work in progress	-	217,820	249,532	684,246	(1,151,598)	-	-	52,741	195,073	391,497	(639,311)	-
As at 31 December	2,111,079	8,395,662	6,374,804	5,876,116	2,237,537	24,995,198	2,095,908	8,176,012	5,937,995	5,065,760	1,600,629	22,876,304
Accumulated depreciation/amortisation:												
At beginning of the year	-	3,945,998	4,059,134	2,983,508	-	10,988,640	-	3,528,306	3,569,881	2,560,913	-	9,659,100
Impact of hyperinflation	-	17,755	46,568	68,578	-	132,901	-	16,580	54,618	57,716	-	128,914
Foreign currency translation adjustment	-	(34,554)	(59,512)	(86,949)	-	(181,015)	-	(29,544)	(42,450)	(65,662)	-	(137,656)
Charge for the year	-	231,074	542,016	360,533	-	1,133,623	-	460,066	545,284	431,486	-	1,436,836
Disposals and retirements	-	(91,297)	(53,630)	-	-	(144,927)	-	(29,410)	(68,199)	(945)	-	(98,554)
As at 31 December	-	4,068,976	4,534,576	3,325,670	-	11,929,222	-	3,945,998	4,059,134	2,983,508	-	10,988,640
Net book value as at 31 December	2,111,079	4,326,686	1,840,228	2,550,446	2,237,537	13,065,976	2,095,908	4,230,014	1,878,861	2,082,252	1,600,629	11,887,664

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9 RIGHT OF USE ASSETS, NET

	2025			
	Land	Buildings	Others*	Total
Cost:				
As at 1 January 2025	831,987	1,928,725	107,122	2,867,834
Impact of hyperinflation	2,334	171,695	1,401	175,430
Additions	57,916	274,082	30,235	362,233
Terminations	(12,672)	(99,654)	(2,103)	(114,429)
Foreign currency translation adjustment	(3,227)	(193,660)	(10,051)	(206,938)
As at 31 December 2025	876,338	2,081,188	126,604	3,084,130
Accumulated depreciation:				
As at 1 January 2025	662,018	1,138,955	61,203	1,862,176
Impact of hyperinflation	1,096	66,432	945	68,473
Charge for the year	110,199	238,558	1,707	350,464
Terminations	(5,771)	(56,781)	(1,918)	(64,470)
Foreign currency translation adjustment	(920)	(89,777)	(5,802)	(96,499)
Other movements	-	(3,440)	(21)	(3,461)
As at 31 December 2025	766,622	1,293,947	56,114	2,116,683
Net book value as at 31 December 2025	109,716	787,241	70,490	967,447
	2024			
	Land	Buildings	Others*	Total
Cost:				
As at 1 January 2024	751,090	1,667,159	164,019	2,582,268
Impact of hyperinflation	3,538	175,486	4,100	183,124
Additions	91,468	298,499	-	389,967
Terminations	(11,717)	(62,596)	(59,391)	(133,704)
Foreign currency translation adjustment	(2,392)	(149,823)	(1,606)	(153,821)
As at 31 December 2024	831,987	1,928,725	107,122	2,867,834
Accumulated depreciation:				
As at 1 January 2024	525,305	956,519	61,529	1,543,353
Impact of hyperinflation	1,173	49,155	1,219	51,547
Charge for the year	119,286	227,631	4,021	350,938
Terminations	(4,082)	(28,449)	(4,354)	(36,885)
Foreign currency translation adjustment	(1,249)	(80,321)	(1,014)	(82,584)
Other movements	21,585	14,420	(198)	35,807
As at 31 December 2024	662,018	1,138,955	61,203	1,862,176
Net book value as at 31 December 2024	169,969	789,770	45,919	1,005,658

*Others include furniture, office equipment and vehicles.

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10 OTHER ASSETS

(10.1) Other Assets

	<u>2025</u>	<u>2024</u>
Assets purchased under Murabaha arrangements	3,068,495	2,425,770
Prepayments and advances	2,964,236	2,905,773
Margin deposits against derivatives and repos	4,161,021	7,007,964
Other real estate, net (note 10.2)	790,419	764,101
Others	1,985,522	1,086,235
Total	12,969,693	14,189,843

(10.2) Other Real Estate, Net

	<u>2025</u>	<u>2024</u>
Cost:		
At beginning of the year	1,295,982	1,261,854
Additions	136,755	100,279
Disposals	(74,036)	(66,151)
At 31 December	1,358,701	1,295,982
Provision and foreign currency translation adjustment:		
Foreign currency translation adjustment	(68,396)	(25,419)
Provision for impairment	(499,886)	(506,462)
At 31 December	(568,282)	(531,881)
Other real estate, net	790,419	764,101

11 DERIVATIVES

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

(a) Swaps

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

(b) Forwards and futures

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

(c) Options

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

(d) Structured derivative products

Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, interest rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

(11.1) Derivatives held for trading purposes

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

(11.2) Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (see note 30 - credit risk, note 31 - market risk and note 32 - liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and interest rate to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. Asset and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps to 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 interest rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall 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, such as interest rate swaps, interest rate options and futures, forward foreign exchange contracts and currency options.

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

11 DERIVATIVES (continued)

The tables below show the positive and negative fair values of derivatives, together with the notional amounts analysed by the term to maturity and the change in fair value used for calculating hedge ineffectiveness. 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 Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	Notional amounts by term to maturity											
	2025	Positive fair value	Negative fair value	Notional amount	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognised in statement of income	Changes in the value of the hedging instrument recognised in OCI	Amount reclassified from the hedge reserve to statement of income	Within 3 months	3-12 months	1-5 years	Over 5 years
									Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:												
Interest rate instruments	24,990,792	(23,805,681)	942,011,829	-	-	-	-	-	79,955,323	202,966,940	394,941,221	264,148,345
Forward/future foreign exchange contracts	1,102,674	(612,641)	104,726,427	-	-	-	-	-	45,281,374	27,875,351	31,569,702	-
Options	117,496	(117,440)	24,709,385	-	-	-	-	-	6,739,205	17,903,807	66,373	-
Held as fair value hedges:												
Interest rate instruments	400,008	(469,410)	41,030,519	(21,057)	21,579	-	-	-	819,107	-	6,894,904	33,316,508
Held as cash flow hedges:												
Interest rate instruments and cross currency swaps	279,833	(368,204)	27,957,001	(64,323)	166,442	(92,056)	(217,565)	2,300,000	4,932,546	16,255,039	4,469,416	
Total	26,890,803	(25,373,376)	1,140,435,161	(85,380)	188,021	(92,056)	(217,565)	135,095,009	253,678,644	449,727,239	301,934,269	

2024	Notional amounts by term to maturity										
	Positive fair value	Negative fair value	Notional amount	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in statement of income	Changes in the value of the hedging instrument recognized in OCI	Amount reclassified from the hedge reserve to statement of income	Within 3 months	3-12 months	1-5 years	Over 5 years
								Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:											
Interest rate instruments	25,511,544	(24,306,108)	787,604,862	-	-	-	-	87,465,147	67,488,411	420,202,651	212,448,653
Forward/future foreign exchange contracts	933,674	(593,465)	102,721,654	-	-	-	-	80,929,851	12,264,514	9,527,289	-
Options	72,448	(73,097)	11,507,033	-	-	-	-	771,491	6,013,557	4,721,985	-
Held as fair value hedges:											
Interest rate instruments	398,516	(447,320)	10,409,879	(112,928)	29,757	-	-	2,262,998	761,653	4,536,100	2,849,128
Held as cash flow hedges:											
Interest rate instruments and cross currency swaps	459,269	(483,317)	25,427,481	394,098	(2,741)	414,576	(279,350)	427,986	1,736,458	22,933,284	329,753
Total	27,375,451	(25,903,307)	937,670,909	281,170	27,016	414,576	(279,350)	171,857,473	88,264,593	461,921,309	215,627,534

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11 DERIVATIVES (continued)

	Carrying amount				Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item	Change in value used for calculating hedge ineffectiveness		
	Assets		Liabilities					
	Assets	Liabilities	Assets	Liabilities				
2025								
Held as fair value hedges:								
Investments/Debt Issue/Due to Banks	12,303,382		28,333,649		(22,429)			
Total	12,303,382		28,333,649		(22,429)			
2024								
Held as fair value hedges:								
Investments/Debt Issue/Due to Banks	5,088,131		5,022,093		(170,155)			
Total	5,088,131		5,022,093		(170,155)			

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11 DERIVATIVES (continued)

	Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve
2025		
Held as cash flow hedges:		
Investments /Debt Issuance /Due to Banks	(64,323)	(20,819)
Total	(64,323)	(20,819)
2024		
Held as cash flow hedges:		
Investments /Debt Issuance /Due to Banks	394,098	71,237
Total	394,098	71,237

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11 DERIVATIVES (continued)

Derivatives that are Shariah compliant are as follows:

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity			
				Within 3 months	3-12 months	1-5 years	Over 5 years
2025							
Held for trading:							
Profit rate swaps	1,789,810	(665,119)	59,997,798	4,503,528	4,817,625	38,814,874	11,861,771
Islamic foreign exchange	414,367	(65,638)	21,521,825	18,905,854	2,479,877	136,094	-
Options	117,496	(117,440)	24,709,385	6,739,205	17,903,807	66,373	-
Total	2,321,673	(848,197)	106,229,008	30,148,587	25,201,309	39,017,341	11,861,771
2024							
Held for trading:							
Profit rate swaps	1,882,300	(910,886)	57,876,516	2,641,955	6,265,104	34,300,823	14,668,634
Islamic foreign exchange	554,411	(200,472)	24,304,786	17,024,024	7,280,762	-	-
Options	44,304	(44,118)	6,770,959	408,121	6,013,557	349,281	-
Total	2,481,015	(1,155,476)	88,952,261	20,074,100	19,559,423	34,650,104	14,668,634

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11 DERIVATIVES (continued)

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

<u>2025</u>	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate instruments	39,998,601	40,401,064	Fair value	Interest rate instruments	400,008	(469,410)
Fixed rate and floating rate instruments	27,510,165	27,493,340	Cash flow	Interest rate instruments and cross currency swaps	279,833	(368,204)

<u>2024</u>	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate instruments	9,517,137	10,159,570	Fair value	Interest rate instruments	398,516	(447,320)
Fixed rate and floating rate instruments	23,638,240	23,670,821	Cash flow	Interest rate instruments and cross currency swaps	459,269	(483,317)

Approximately 90% (2024: 88%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 10% (2024: 12%) of the positive fair value contracts are with non-financial institutions at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Group's Wholesale segment.

Cash flow hedges:

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission interest at a variable rate. The Bank generally uses interest rate swaps as hedging instruments to hedge against these interest rate risks.

Below is the schedule as at 31 December indicating, the periods when the hedged undiscounted cash flows are expected to occur and when they are expected to affect profit or loss:

<u>2025</u>	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	927,359	3,067,817	2,389,011	1,004,869
Cash outflows (liabilities)	(1,059,653)	(3,178,740)	(2,424,505)	(982,293)
Net cash inflows (outflows)	(132,294)	(110,923)	(35,494)	22,576

<u>2024</u>	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	1,498,034	1,729,711	1,096,498	532,648
Cash outflows (liabilities)	(1,619,978)	(1,594,349)	(954,466)	(501,481)
Net cash inflows (outflows)	(121,944)	135,362	142,032	31,167

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12 DUE TO BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2025</u>	<u>2024</u>
Current accounts	5,815,242	5,076,472
Money market deposits	82,374,946	85,323,340
Repos (note 29 (a))	101,998,851	94,719,978
Total	190,189,039	185,119,790

13 CUSTOMERS' DEPOSITS

	<u>2025</u>	<u>2024</u>
Current and call accounts	463,255,347	418,200,767
Time	146,157,115	130,092,840
Others	26,681,915	31,468,500
Total	636,094,377	579,762,107

Other customers' deposits mainly include margins held for irrevocable commitments and contingencies. The amount of customers' deposits Shariah-compliant is ₩ 515,238 million (2024: ₩ 475,918 million).

International segment deposits included in customers' deposits comprise of:

	<u>2025</u>	<u>2024</u>
Current and call accounts	9,627,315	8,099,644
Time	11,813,593	12,754,743
Others	3,777,029	2,234,643
Total	25,217,937	23,089,030

Details on foreign currency deposits included in customers' deposits is as follows:

	<u>2025</u>	<u>2024</u>
Current and call accounts	42,417,933	36,267,100
Time	26,071,383	33,104,269
Others	4,525,866	2,845,531
Total	73,015,182	72,216,900

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14 DEBT SECURITIES ISSUED AND TERM LOANS

(14.1) Debt securities issued and term loans comprises of:

	<u>2025</u>	<u>2024</u>
Debt securities issued	72,993,614	46,622,413
Term loans	59,648,749	48,682,958
Total	132,642,363	95,305,371

As at the reporting date, debt securities issued comprise non-convertible sukuks and certificates of deposit issued by the Group, carrying profit at fixed and floating rates, with maturities up to 2035. Below is the movement of debt securities:

	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	46,622,413	20,265,905
Debt securities issued	109,661,419	38,170,612
Debt securities payment	(83,631,598)	(11,729,173)
Foreign currency translation and other adjustments	341,380	(84,931)
Balance at the end of the year	72,993,614	46,622,413

The amount of debt securities issued that are compliant with Shariah is ₩ 8,392 million (2024: ₩ 7,964 million).

The movement in term loans is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	48,682,958	24,146,522
Term loans issued	66,785,523	79,788,352
Term loans payment	(55,639,003)	(53,532,747)
Foreign currency translation and other adjustments	(180,729)	(1,719,169)
Balance at the end of the year	59,648,749	48,682,958

(14.2) The table below shows the details of term loans:

Issuer	Issuance year	Remaining tenure as of 2025	Particulars	2025	2024
SNB	2020	Over 5 years	Term-loan issued at float rate	-	564,663
	2022	1-5 years	Term-loan issued at float rate	-	376,819
	2023	1-5 years	Term-loan issued at float rate	3,870,530	301,731
	2023	Over 5 years	Term-loan issued at float rate	-	3,844,697
	2024	3-12 months	Term-loan issued at fixed rate	-	38,927,015
	2024	1-5 years	Term-loan issued at float rate	4,706,662	1,515,104
	2024	Over 5 years	Term-loan issued at float rate	-	3,152,929
	2025	within 3 months	Term-loan issued at fixed rate	16,088,007	-
	2025	3-12 months	Term-loan issued at fixed rate	22,935,075	-
	2025	1-5 years	Term-loan issued at float rate	8,258,050	-
	2025	Over 5 years	Term-loan issued at float rate	3,790,425	-
Total				59,648,749	48,682,958

14 DEBT SECURITIES ISSUED AND TERM LOANS (continued)

(14.3) The table below shows the details of debt securities:

Issuer	Issuance year	Remaining tenure as of 2025	Particulars	2025	2024
SNB	2020	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	1,897,958	1,932,672
	2022	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	3,067,829	3,053,620
	2022	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	2,428,998	2,430,217
	2023	Within 3 months	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	105,729	-
	2023	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	186,555	356,147
	2023	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	740,369	839,327
	2024	3-12 months	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	627,294	-
	2024	3-12 months	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	1,276,495	-
	2024	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	3,764,968	4,553,380
	2024	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	4,765,182	6,535,008
	2025	Within 3 months	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	102,785	-
	2025	3-12 months	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	1,379,562	-
	2025	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	1,956,537	-
	2025	1-5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a float rate.	6,565,345	-
	2025	Over 5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	8,249,167	-
	2025	Within 3 months	Certificate of Deposit issued at fixed rate	51,728	1,016,023
	2025	3-12 months	Certificate of Deposit issued at fixed rate	26,354,370	14,871,479
	2025	1-5 years	Certificate of Deposit issued at fixed rate	8,841,523	8,979,421
SNBC	2025	1-5 years	Short-term certificates issued at commercial market rate.	501,299	1,970,068
TFKB	2025	3-12 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	60,315	13,486
SBL	2021	Over 5 years	Non-convertible listed TFCs on Pakistan Stock Exchange carrying profit at a floating rate.	69,606	71,565
Total				72,993,614	46,622,413

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15 OTHER LIABILITIES

(15.1) Other Liabilities

	<u>2025</u>	<u>2024</u>
Zakat and tax (note 15.2.1)	2,911,177	2,646,542
Staff-related payables	1,377,445	1,582,021
Accrued expenses and accounts payable	5,951,157	6,763,024
Allowances for credit losses on indirect facilities (note 19)	2,981,534	3,364,287
Employee benefit obligation (note 23)	1,890,174	1,798,760
Lease liabilities	608,576	1,140,110
Treasury related and other payables	443,545	1,736,889
Others	5,741,542	5,757,171
Total	21,905,150	24,788,804

(15.2) Zakat and Tax

The Bank and its Saudi subsidiaries are subject to zakat in accordance with regulations of the zakat, Tax and Customs Authority (“ZATCA”). The Bank’s foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Zakat expense is charged to the consolidated statement of income. The Bank calculated zakat accruals for the year ended 31 December 2025 based on applicable zakat rules for financial institutions. The Bank submitted its zakat return for the year ended 31 December 2024, and obtained the unrestricted zakat certificate. The financial years 2021 and 2024 are under the review of ZATCA, the assessments in respect to the Bank’s zakat returns for the financial years 2020, 2022 and 2023 have been finalized.

(15.2.1) The movement in Zakat and Tax provision is as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	2,646,542	2,438,729
Charge during the year	2,905,172	2,521,125
Amount paid during the year	(2,640,537)	(2,313,312)
At 31 December	2,911,177	2,646,542

16 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 6,000 million shares of ₩ 10 each (31 December 2024: 6,000 million shares of ₩ 10 each). The capital of the Bank excluding treasury shares consists of 5,931 million shares of ₩ 10 each (31 December 2024: 5,945 million shares of ₩ 10 each).

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

	<u>2025</u>	<u>2024</u>
Saudi and GCC shareholders (%)	81.84%	84.46%
Foreign shareholders (%)	18.16%	15.54%

The ownership structure above reflects the ownership percentages as reflected on the Saudi Stock Exchange. It does not reflect the ownership percentages of SNB at the date of inception.

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17 STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law, a minimum of 25% of the consolidated net income attributable to equity holders of the Bank is required to transfer to a statutory reserve up to where the reserve equals a minimum amount of paid up capital of the Bank. The statutory reserve is not available for distribution.

18 OTHER RESERVES (CUMULATIVE CHANGES IN FAIR VALUES)

Other reserves represent the net unrealised revaluation gains (losses) of cash flow hedges (effective portion), FVOCI equity investments, FVOCI debt investments and actuarial gain or loss. The movement of other reserves during the year is included under consolidated statement of other comprehensive income and the consolidated statement of changes in equity.

19 COMMITMENTS AND CONTINGENCIES

(19.1) Capital and other non-credit related commitments

As at 31 December 2025 the Bank had capital commitments of ₩ 8,768 million (2024: ₩ 7,341 million) in respect of building, equipment and software purchases, capital calls on private equity funds and in respect of capital contribution toward hedge fund investments.

(19.2) Credit-related commitments and contingencies

Credit-related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and commitments to extend credit (irrevocable). The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees including standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that customers cannot meet their obligations to third parties, carry the same credit risk as financing and advances.

Cash requirements under guarantees are normally considerably less than the amount of the related 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 shipment of goods to which they relate and therefore have significantly less risk.

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

Commitments to extend credit represent unused portions of authorisation to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit lines, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

(a) The contractual maturity structure of the Group's credit-related commitments and contingencies is as follows:

2025	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	9,477,059	4,756,823	2,486,927	245,689	16,966,498
Guarantees	47,060,063	26,543,935	16,831,283	2,177,575	92,612,856
Acceptances	3,824,005	1,806,885	1,347,681	23,318	7,001,889
Irrevocable commitments to extend credit	13,135,388	455,009	27,339,152	20,576,482	61,506,031
Total	73,496,515	33,562,652	48,005,043	23,023,064	178,087,274

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	11,546,290	5,316,564	1,083,771	45,149	17,991,774
Guarantees	16,359,166	29,587,887	32,590,818	1,525,370	80,063,241
Acceptances	4,086,492	3,009,672	7,685	21,645	7,125,494
Irrevocable commitments to extend credit	11,911,680	1,461,560	17,453,268	23,656,870	54,483,378
Total	43,903,628	39,375,683	51,135,542	25,249,034	159,663,887

Due to the nature of the contingent liabilities and credit commitment, it is probable that the guarantees and commitments could be called in the less than three months bucket, being the earliest period in which the guarantees could be called, and commitments could be drawn.

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19 COMMITMENTS AND CONTINGENCIES (continued)

(19.2) Credit-related commitments and contingencies (continued):

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

	2025	2024
Government and quasi government	26,713,280	7,716,267
Corporate	113,093,079	115,032,294
Banks and other financial institutions	37,848,366	36,229,326
Others	432,549	686,000
Total	178,087,274	159,663,887

(c) The movement in ECL on commitments and contingencies is as follows:

2025	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2025	182,523	45,699	301,653	2,834,412	3,364,287
Net impairment charge/(reversal/settlement)	(68,003)	73,597	(16,014)	(367,738)	(378,158)
Transfer to stage 1	1,409	(967)	(442)	-	-
Transfer to stage 2	(1,104)	1,140	(36)	-	-
Transfer to stage 3	(392)	(2,203)	2,595	-	-
Foreign currency translation	(2,184)	(389)	(2,022)	-	(4,595)
Balance as at 31 December 2025	112,249	116,877	285,734	2,466,674	2,981,534

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2024	158,581	46,639	273,982	3,480,286	3,959,488
Net impairment charge/(reversal/settlement)	23,917	1,273	30,929	(645,874)	(589,755)
Transfer to stage 1	3,431	(2,813)	(618)	-	-
Transfer to stage 2	(1,600)	1,600	-	-	-
Transfer to stage 3	(425)	(685)	1,110	-	-
Foreign currency translation	(1,381)	(315)	(3,750)	-	(5,446)
Balance as at 31 December 2024	182,523	45,699	301,653	2,834,412	3,364,287

20 NET SPECIAL COMMISSION INCOME

	2025	2024
Special commission income:		
Investments held at FVOCI	4,034,865	4,251,368
Investments held at amortised cost	8,091,540	6,836,883
Total of investments	12,126,405	11,088,251
Due from banks and other financial institutions	2,388,445	1,908,128
Financing and advances	46,446,833	44,839,043
Total	60,961,683	57,835,422
Special commission expense:		
Due to banks, Saudi Central Bank and other financial institutions	10,948,248	9,449,084
Customers' deposits	15,574,536	16,561,306
Debt securities issued and term loans	5,283,707	4,101,789
Total	31,806,491	30,112,179
Net special commission income	29,155,192	27,723,243

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21 FEE INCOME FROM BANKING SERVICES, NET

	<u>2025</u>	<u>2024</u>
Fee income from banking services:		
Financing and cards	3,359,499	3,326,214
Investment management services	1,054,598	1,079,269
Shares brokerage	638,707	886,687
Trade finance	1,004,818	813,470
Others	1,300,603	716,371
Total	7,358,225	6,822,011
Fee expenses from banking services:		
Financing and cards	(2,110,323)	(1,994,578)
Investment management services	(54,521)	(48,145)
Shares brokerage	(220,218)	(361,136)
Others	(41,812)	(41,011)
Total	(2,426,874)	(2,444,870)
Fee income from banking services, net	4,931,351	4,377,141

22 EMPLOYEES' SHARE-BASED PAYMENTS RESERVE

(22.1) Employees' share-based payments plan:

The Bank has established a share based remuneration scheme for its key management that entitles the related personnel to be awarded shares in the Bank subject to successfully meeting certain service and performance conditions. Under the share based remuneration scheme, the Bank has three outstanding plans. Significant features of these plans are as follows:

<u>Nature of Plan</u>	<u>Equity Based Long Term Bonus Plan</u>
Number of outstanding plans	3 plans
Grant dates	January 2023 to January 2025
Maturity dates	December 2025 - December 2027
Vesting period	3 years
Method of settlement	Equity
Fair value per share on grant date adjusted for bonus shares issued	Average price ₩ 34.88

The movement in weighted average price and in the number of shares granted is as follows:

	<u>Weighted average price (in ₩)</u>		<u>Number of shares (in 000's)</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Beginning of the year				
Forfeited	43	43	12,361	10,841
Exercised	53	40	(604)	(609)
Granted during the year	53	40	(2,486)	(3,058)
End of the year	35	43	5,628	5,187
	35	43	14,899	12,361

(22.2) Treasury shares:

The movement in the number of treasury shares is as below:

	<u>Number of treasury shares (in 000's)</u>	
	<u>2025</u>	<u>2024</u>
Beginning of the year		
Purchased	55,275	58,333
Settled	16,000	-
End of the year	(2,486)	(3,058)
	68,789	55,275

23 EMPLOYEE BENEFIT OBLIGATION

(23.1) The characteristics of the end of service benefits scheme

The Group operates an unfunded end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labor Laws and applicable laws for overseas branches and subsidiaries. The liability in respect of the plan is estimated by a qualified external actuary in accordance with International Accounting Standard 19 – Employee Benefits, and using “Projected Unit Credit Method”. The liability recognised in the consolidated statement of financial position in respect of the plan is the present value of the defined benefit obligation at the end of the reporting period. The end of service liability is disclosed in note 15.

(23.2) Changes in the present value of defined benefit liability

	<u>2025</u>	<u>2024</u>
As at 1 January	1,798,760	1,501,866
Included in consolidated statement of income:		
Current service cost	138,307	127,703
Interest expense	98,750	85,923
Other	-	1,580
Total amount included in consolidated statement of income	237,057	215,206
Included in other comprehensive income:		
Actuarial gain or loss arising from:		
Changes in demographic assumptions	(3,221)	-
Changes in financial assumptions	14,941	33,118
Changes in experience assumptions	5,407	173,782
Total amount included in other comprehensive income	17,127	206,900
End of service benefits paid	(162,770)	(125,212)
As at 31 December	1,890,174	1,798,760

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23 EMPLOYEE BENEFIT OBLIGATION (continued)

(23.3) The valuation of the defined benefit obligation

Liability under the plan is based on various assumptions ("actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, also taking into consideration the future salary increases, cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation. Any changes in actuarial assumptions from one period to another may affect the determination of the estimated closing obligation, which is accounted for as an actuarial gain or loss for the year.

Critical assumptions used:

	<u>2025</u>	<u>2024</u>
Discount rate	4.5%	4.7%
Normal retirement age (years)	62	60
Expected salary increase rate	3.10%	3.10%

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the end of service valuation as at 31 December 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Discount rate +1%	(139,510)	(125,833)
Discount rate -1%	162,614	144,866
Expected salary increase rate +1%	163,780	146,095
Expected salary increase rate -1%	(142,932)	(129,091)

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2025 and 31 December 2024 is calculated by dividing the net income attributable to common equity holders of the Bank (after deduction of Tier 1 sukuk costs) for the year by the weighted average number of shares outstanding during the year. The diluted earnings per share are adjusted for the impact of the employees' share based payment plan.

Details of basic and diluted earnings per share are as follows:

	Basic EPS		Diluted EPS	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Weighted-Average number of shares outstanding (in thousands)	5,941,774	5,944,649	5,951,153	5,952,973
Earnings per share (in ₩)	4.04	3.44	4.03	3.43

25 TIER 1 SUKUK

During the year ended 31 December 2025, the Bank issued through Shariah compliant arrangements, additional Tier 1 Sukuk, amounting to ₩ 2.7 billion (SAR-denominated). These arrangements were approved by the regulatory authorities and Board of Directors of the Bank. Moreover, during this period, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to ₩ 6.2 billion.

Tier 1 sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Tier 1 sukuk - holders in the Tier 1 sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Group classified under equity. However, the Group shall have the exclusive right to redeem or call the Tier 1 sukuk in a specific period of time, subject to the terms and conditions stipulated in the Tier 1 sukuk agreement.

The applicable profit rate on the Tier 1 sukuk is payable on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Group whereby the Group 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.

26 DIVIDEND

The details of dividends paid to the Bank's shareholders are as follows:

Distribution Date	Amount (₪ per share)	Total Payout Net of Zakat	Type	Status
To be announced	1.15	6,900,000	Final	Proposed
August 2025	1.00	6,000,000	Interim	Paid
February 2025	1.00	6,000,000	Final	Paid
August 2024	0.90	5,400,000	Interim	Paid
May 2024	0.90	5,400,000	Final	Paid

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27 CASH AND CASH EQUIVALENTS

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

	<u>2025</u>	<u>2024</u>
Cash and balances with central banks excluding statutory deposit with SAMA (note 4)	8,792,242	7,517,165
Due from banks and other financial institutions with original maturity of three months or less	17,289,809	13,484,728
Total	26,082,051	21,001,893

28 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's management.

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Retail

Provides banking services, including lending and current accounts in addition to products in compliance with Shariah rules which are supervised by the independent Shariah Board, to individuals and private banking customers.

Wholesale

Provides banking services including all conventional credit-related products as well as financing products in compliance with Shariah rules to small sized businesses, medium and large establishments and companies. Wholesale also provides full range of treasury and correspondent banking products and services, including money market and foreign exchange, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk.

Capital Market

Provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international).

International

Comprises banking services provided outside Saudi Arabia. TFKB and SBL are included within this segment.

Transactions between the operating segments are recorded as per the Bank and its subsidiaries' transfer pricing system. The support and Head Office expenses are allocated to segments using activity-based costing.

28 OPERATING SEGMENTS (continued)

(28.1) The Group's total assets and liabilities at year end, its operating income and expenses (total and main items) and net income for the year before zakat and income tax, by business segments, are as follows:

2025	Retail	Wholesale	Capital Market	International	Total
Total assets	447,165,490	693,423,854	33,633,580	35,808,629	1,210,031,553
Total liabilities	356,773,474	598,376,664	19,064,728	31,989,439	1,006,204,305
Customers' deposits	348,223,247	261,647,602	1,005,591	25,217,937	636,094,377
Total operating income from external customers	19,948,323	14,498,208	2,585,215	2,162,824	39,194,570
Intersegment operating income (expense)	(2,779,879)	2,943,350	(163,471)	-	-
Total operating income	17,168,444	17,441,558	2,421,744	2,162,824	39,194,570
of which:					
- Net special commission income	16,958,279	10,917,150	387,369	892,394	29,155,192
- Fee income from banking services, net	1,168,161	1,398,377	1,407,073	957,740	4,931,351
Total operating expenses before expected credit losses	5,889,701	1,754,081	696,011	1,532,594	9,872,387
of which:					
- Depreciation/amortisation of property, equipment, software and right of use assets	938,197	198,492	31,520	315,878	1,484,087
- Amortization of intangible assets	547,866	185,134	87,280	-	820,280
Impairment charge/(reversal) for expected credit losses, net	495,201	392,937	(5,890)	151,895	1,034,143
Total operating expenses	6,384,902	2,147,018	690,121	1,684,489	10,906,530
Other non-operating (expenses)/income, net	(68,184)	(40,613)	(957)	(281,553)	(391,307)
Income for the year before zakat and income tax	10,715,358	15,253,927	1,730,666	196,782	27,896,733

2024	Retail	Wholesale	Capital Market	International	Total
Total assets	428,391,431	620,340,070	23,347,686	32,075,453	1,104,154,640
Total liabilities	354,154,327	517,053,338	11,287,548	28,384,166	910,879,379
Customers' deposits	343,885,813	211,999,497	787,767	23,089,030	579,762,107
Total operating income from external customers	19,202,864	12,688,236	2,479,617	1,662,392	36,033,109
Intersegment operating income (expense)	(2,143,620)	2,341,233	(197,613)	-	-
Total operating income	17,059,244	15,029,469	2,282,004	1,662,392	36,033,109
of which:					
- Net special commission income	16,698,280	9,839,788	493,045	692,130	27,723,243
- Fee income from banking services, net	1,067,833	1,112,262	1,531,576	665,470	4,377,141
Total operating expenses before expected credit losses	6,616,574	2,181,929	727,141	1,496,203	11,021,847
of which:					
- Depreciation/amortisation of property, equipment, software and right of use assets	1,062,316	283,808	38,872	402,778	1,787,774
- Amortization of intangible assets	547,866	185,134	87,280	-	820,280
Impairment charge/(reversal) for expected credit losses, net	1,197,549	(192,516)	34	13,738	1,018,805
Total operating expenses	7,814,123	1,989,413	727,175	1,509,941	12,040,652
Other non-operating (expenses)/income, net	(53,772)	(50,763)	(8,791)	(264,360)	(377,686)
Income for the year before zakat and income tax	9,191,349	12,989,293	1,546,038	(111,909)	23,614,771

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28 OPERATING SEGMENTS (continued)

(28.2) The Group's credit risk exposure by business segments, is as follows:

<u>2025</u>	Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	361,672,304	675,367,763	4,756,997	28,073,682	1,069,870,746
Commitments and contingencies (credit equivalent)	5,632,094	103,362,615	-	5,580,523	114,575,232
Derivatives (credit equivalent)	-	24,492,037	-	986,643	25,478,680
<u>2024</u>	Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	346,285,924	597,128,110	4,176,707	23,954,820	971,545,561
Commitments and contingencies (credit equivalent)	2,280,472	98,699,247	-	5,310,429	106,290,148
Derivatives (credit equivalent)	-	23,524,841	-	1,014,922	24,539,763

The credit exposure of assets as per the consolidated statement of financial position comprises the carrying value of due from banks and other financial institutions, investments subject to credit risk, financing and advances, positive fair value of derivatives and other receivables.

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

29 COLLATERAL AND OFFSETTING

Following are the details of collaterals held/received by the Group and offsetting carried out as at 31 December 2025:

a) The Bank conducts Repo transactions under the terms that are usually based on the applicable Global Master Repurchase Agreement (GMRA) collateral guidelines. Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with related accounting policies for investments held at FVIS, held at FVOCI and investments held at amortised cost. The carrying amount and fair value of securities pledged under agreement to repurchase (repo) are as follows:

	<u>2025</u>		<u>2024</u>	
	Carrying amount	Fair value	Carrying amount	Fair value
Held at FVOCI	29,497,884	29,497,884	32,697,121	32,697,121
Investments held at amortised cost	74,405,063	68,972,005	63,916,703	58,372,020
Total	103,902,947	98,469,889	96,613,824	91,069,141

b) The Bank has placed a margin deposit of ₩ 1,164 million (2024: ₩ 931 million) as an additional security for these repo transactions.

c) Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2025 and 31 December 2024.

d) For details of margin deposits held for the irrevocable commitments and contingencies, please (refer to note 19.2) and for details of margin deposits against derivatives and repos, (refer to note 10.1).

e) Securities pledged with the Group in respect of reverse repo transactions comprise ₩ 1,611 million (2024: ₩ 903 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

f) All significant financial assets and liabilities where the Group has a legal enforceable right and intention to settle on a net basis have been offset and presented net in these consolidated financial statements.

g) The Bank holds collateral and other credit enhancements against certain credit exposures. The following table sets out the collaterals held against the gross balances of individually impaired financing:

	<u>2025</u>		<u>2024</u>	
	Individually impaired financing	Collateral	Individually impaired financing	Collateral
Wholesale	3,412,096	1,254,364	5,218,533	1,792,981
Consumer	692,423	788,047	1,484,855	1,643,183
Total	4,104,519	2,042,411	6,703,388	3,436,164

30 CREDIT RISK

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument or transaction will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in financing and advances and investments. There is also credit risk in off-balance sheet financial instruments, such as trade-finance related products, derivatives and financing commitments.

For financing and advances and off-balance sheet financing to borrowers, the Group assesses the probability of default of counterparties using internal rating models. For investments, due from banks and other financial institutions and off-balance sheet financial instruments held with international counterparties, the Group uses external ratings by the major rating agencies.

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 risks and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis.

The Group manages the credit exposure relating to its trading activities by monitoring credit limits, 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 the Group assesses counterparties using the same techniques as for its financing activities in order to control the level of credit risk taken.

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

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

The debt securities included in investments are mainly sovereign risk and high-grade securities. Analysis of investments by counterparty is provided in note (6.9). For details of the composition of the financing and advances refer to note (7.5). Information on credit risk relating to derivative instruments is provided in note (11) and for commitments and contingencies in note (19). The information on the Group's total maximum credit exposure is given in note (30.1).

Each individual corporate borrower is rated based on an internally developed debt rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the Group's experience. These risk ratings are reviewed on a regular basis.

The Group in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in financing and advances. These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realisable values.

The Bank has a master rating scale in place that comprises 17 risk rating grades. The rating grades (including the modifiers) are classified into three categories (a) 4 investment grade ratings, (b) 12 non-investment grade ratings, and (c) one non-performing or default grade rating. The table below shows the segregation of the Bank's master rating scale:

Type	Rating	Number of Modifiers	PD Range
Performing			
Investment grade	AAA to A-	1	0 to 0.12%
	BBB	3	0.12% to 0.35%
	BB	4	0.35% to 2.1%
Non-Investment grade	B	4	2.1% to 12%
	CCC	3	12% to 40%
	CC to C	1	40% to 99.9%
Non-performing	Default	1	100%

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30 CREDIT RISK (continued)

The Group also manages its credit risk exposure through the diversification of financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant financing and advances. The Group monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and Group's policy.

(30.1) Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	<u>2025</u>	<u>2024</u>
Assets		
Due from banks and other financial institutions, net (note 5)	22,970,831	21,088,423
Investments (note 30.2 (a))	286,537,185	261,821,377
Financing and advances, net (note 7.1)	729,310,906	654,252,346
Other assets - margin deposits against derivatives and repos (note 10.1)	4,161,021	7,007,964
Total assets	1,042,979,943	944,170,110
Contingent liabilities and commitments, net	168,724,042	148,326,638
Derivatives - positive fair value of derivatives, net (note 11)	26,890,803	27,375,451
Total maximum credit exposure	1,238,594,788	1,119,872,199

(30.1.1) Contingent liabilities and commitments, net

These amounts reflect the credit equivalent of the contingent liabilities and commitments by applying appropriate credit conversion factors. For full amount of the contingent liabilities and commitments (refer note 19).

30 CREDIT RISK (continued)

(30.2) Financial Risk Management

a. Credit quality analysis

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

- Investment Grade is composed of Very Strong Credit Quality (AAA to BBB)
- Non-Investment Grade is composed of: Good, Satisfactory and Special Mention Credit Quality (BB+ to C)

2025	Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total
Due from bank and other financial institutions					
Investment grade	14,052,489	-	-	-	14,052,489
Non-investment grade	7,235,960	-	-	-	7,235,960
Unrated	1,683,720	-	-	-	1,683,720
Gross carrying amount	22,972,169	-	-	-	22,972,169
Financing and advances					
Investment Grade	160,395,469	60,075	-	-	160,455,544
Wholesale	155,378,504	-	-	-	155,378,504
International	5,016,965	60,075	-	-	5,077,040
Non-investment Grade	194,494,328	16,736,657	-	-	211,230,985
Wholesale	182,850,908	15,810,115	-	-	198,661,023
International	11,643,420	926,542	-	-	12,569,962
Unrated	354,711,426	3,196,330	348,318	-	358,256,074
Retail	348,447,296	3,093,810	348,318	-	351,889,424
International	2,481,305	102,520	-	-	2,583,825
Others	3,782,825	-	-	-	3,782,825
Individually impaired	-	-	5,001,326	1,722,965	6,724,291
Retail	-	-	1,235,557	-	1,235,557
Wholesale	-	-	3,412,096	1,722,965	5,135,061
International	-	-	353,673	-	353,673
Gross carrying amount	709,601,223	19,993,062	5,349,644	1,722,965	736,666,894
Debt investment securities held at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	157,814,555	-	-	-	157,814,555
Investment Grade	33,919,196	-	-	-	33,919,196
Non-investment Grade	2,971,065	384,518	-	-	3,355,583
Unrated	-	-	-	-	-
Gross carrying amount	194,704,816	384,518	-	-	195,089,334
Debt investment securities held at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	21,157,685	-	-	-	21,157,685
Investment Grade	65,341,435	-	-	-	65,341,435
Non-investment Grade	3,160,384	218,611	-	-	3,378,995
Unrated	1,569,736	-	-	-	1,569,736
Gross carrying amount	91,229,240	218,611	-	-	91,447,851
Commitment and contingencies					
Investment Grade	87,475,260	6,565	-	-	87,481,825
Non-investment Grade	71,585,211	6,292,931	-	3,278,384	81,156,526
Unrated	8,128,706	29,905	1,290,312	-	9,448,923
Gross carrying amount	167,189,177	6,329,401	1,290,312	3,278,384	178,087,274

30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

a. Credit quality analysis (continued)

2024	Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total
Due from bank and other financial institutions					
Investment grade	13,140,779	-	-	-	13,140,779
Non-investment grade	5,933,107	-	-	-	5,933,107
Unrated	2,016,534	-	-	-	2,016,534
Gross carrying amount	21,090,420	-	-	-	21,090,420
Financing and advances					
Investment Grade	143,101,577	245,071	-	-	143,346,648
Wholesale	138,670,811	175,125	-	-	138,845,936
International	4,430,766	69,946	-	-	4,500,712
Non-investment Grade	148,534,070	15,275,044	-	-	163,809,114
Wholesale	139,607,041	14,573,643	-	-	154,180,684
International	8,927,029	701,401	-	-	9,628,430
Unrated	344,442,006	2,623,563	292,143	-	347,357,712
Retail	338,058,243	2,507,655	292,143	-	340,858,041
International	2,934,140	115,908	-	-	3,050,048
Others	3,449,623	-	-	-	3,449,623
Individually impaired	-	-	7,692,328	2,451,768	10,144,096
Retail	-	-	2,050,735	-	2,050,735
Wholesale	-	-	5,218,533	2,451,768	7,670,301
International	-	-	423,060	-	423,060
Gross carrying amount	636,077,653	18,143,678	7,984,471	2,451,768	664,657,570
Debt investment securities held at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	144,789,025	-	-	-	144,789,025
Investment Grade	31,120,826	-	-	-	31,120,826
Non-investment Grade	4,025,818	455,310	-	-	4,481,128
Unrated	-	-	-	-	-
Gross carrying amount	179,935,669	455,310	-	-	180,390,979
Debt investment securities held at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	18,438,180	-	-	-	18,438,180
Investment Grade	56,467,810	-	-	-	56,467,810
Non-investment Grade	4,184,281	577,554	-	-	4,761,835
Unrated	1,762,573	-	-	-	1,762,573
Gross carrying amount	80,852,844	577,554	-	-	81,430,398
Commitment and contingencies					
Investment Grade	55,196,097	3,537	-	-	55,199,634
Non-investment Grade	76,864,395	6,469,279	-	3,543,572	86,877,246
Unrated	16,168,079	107,048	1,311,448	432	17,587,007
Gross carrying amount	148,228,571	6,579,864	1,311,448	3,544,004	159,663,887

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30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

a. Credit quality analysis (continued)

(ii) The classification of investments in debt instruments as per their external ratings is as follows:

2025	Held at FVIS	Held at FVOCI	Held at amortised cost	Total
Rating				
AAA	-	12,930,767	807,447	13,738,214
AA+	-	19,340,249	3,198,659	22,538,908
AA	-	5,846,759	4,883,075	10,729,834
AA-	95,510	1,373,392	1,092,073	2,560,975
A+	1,821,484	23,151,471	172,880,616	197,853,571
A	75,882	2,427,350	1,521,795	4,025,027
A-	214,209	5,436,253	2,638,993	8,289,455
BBB+	37,706	3,382,362	1,119,101	4,539,169
BBB and below	398,443	15,989,512	6,931,395	23,319,350
Unrated	27,842	1,569,736	-	1,597,578
Investments in debt instrument, net	2,671,076	91,447,851	195,073,154	289,192,081

2024	Held at FVIS	Held at FVOCI	Held at amortised cost	Total
Rating				
AAA	-	9,024,746	831,620	9,856,366
AA+	70,721	18,879,952	2,775,969	21,726,642
AA	9,796	4,068,915	3,061,451	7,140,162
AA-	93,496	1,115,644	1,750,308	2,959,448
A+	1,578,114	14,198,294	158,402,181	174,178,589
A	171,858	4,512,739	1,994,309	6,678,906
A-	40,806	6,938,557	3,056,076	10,035,439
BBB+	57,343	3,733,183	757,131	4,547,657
BBB and below	716,057	17,195,795	7,737,495	25,649,347
Unrated	245	1,762,573	-	1,762,818
Investments in debt instrument, net	2,738,436	81,430,398	180,366,540	264,535,374

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30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

a. Credit quality analysis (continued)

(iii) The table below details the aging of the performing financing and advances:

<u>2025</u>	Retail	Wholesale	International	Others	Total
Neither past due nor impaired	<u>346,183,821</u>	<u>349,215,750</u>	<u>19,232,685</u>	<u>3,782,825</u>	<u>718,415,081</u>
Past due but not impaired					
Less than 30 days	<u>3,996,603</u>	<u>1,232,170</u>	<u>39,735</u>	<u>-</u>	<u>5,268,508</u>
30-59 days	<u>1,289,115</u>	<u>1,726,775</u>	<u>47,410</u>	<u>-</u>	<u>3,063,300</u>
60-89 days	<u>419,885</u>	<u>1,864,832</u>	<u>910,997</u>	<u>-</u>	<u>3,195,714</u>
Total past due but not impaired	<u>5,705,603</u>	<u>4,823,777</u>	<u>998,142</u>	<u>-</u>	<u>11,527,522</u>
Total performing financing and advances	<u>351,889,424</u>	<u>354,039,527</u>	<u>20,230,827</u>	<u>3,782,825</u>	<u>729,942,603</u>
<u>2024</u>	Retail	Wholesale	International	Others	Total
Neither past due nor impaired	<u>335,773,432</u>	<u>286,647,123</u>	<u>16,398,842</u>	<u>3,449,623</u>	<u>642,269,020</u>
Past due but not impaired					
Less than 30 days	<u>3,664,008</u>	<u>2,060,782</u>	<u>24,187</u>	<u>-</u>	<u>5,748,977</u>
30-59 days	<u>1,112,538</u>	<u>2,240,046</u>	<u>78,145</u>	<u>-</u>	<u>3,430,729</u>
60-89 days	<u>308,063</u>	<u>2,078,669</u>	<u>678,016</u>	<u>-</u>	<u>3,064,748</u>
Total past due but not impaired	<u>5,084,609</u>	<u>6,379,497</u>	<u>780,348</u>	<u>-</u>	<u>12,244,454</u>
Total performing financing and advances	<u>340,858,041</u>	<u>293,026,620</u>	<u>17,179,190</u>	<u>3,449,623</u>	<u>654,513,474</u>

30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

b. Amounts arising from ECL – significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

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
<ul style="list-style-type: none">Information obtained during periodic review of customers 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.	<ul style="list-style-type: none">Internally collected data and customer behavior – e.g. utilization of credit card facilities.	<ul style="list-style-type: none">Payment record – this includes overdue status as well as a range of variables about payment ratios.Utilization of the granted limitRequests for and granting of forbearance.Existing and forecasted changes in business, financial and economic conditions.
<ul style="list-style-type: none">Data from credit reference agencies, press articles, changes in external credit ratings.		
<ul style="list-style-type: none">Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		

i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors including income velocity, government revenue, unemployment ,etc.

30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

b. Amounts arising from ECL – significant increase in credit risk (continued)

(i) Generating the term structure of PD (continued)

Based on inputs from Group's Economics Department and consideration of a variety of external actual and forecasted 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 forecasted scenarios (see discussion on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

(ii) Determining whether credit risk has increased significantly

The criteria for determining whether there is a significant increase in credit risk (SICR) since initial recognition, include quantitative changes in PDs and various qualitative factors, including a backstop based on delinquency.

Moreover, the bank also considers information about guarantees or other credit enhancements in assessing changes in credit risk, as well as the impact of the changes in nature, type and value of such collaterals, on the ability and/or economic incentive of a borrower to repay. As such, where available and applicable, the Bank has duly considered the same.

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.

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

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

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 unless reasonable evidences are present to prove otherwise. 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. Moreover, the Group generally considers a financial asset to have undergone a SICR when its credit rating, where available, has deteriorated by three notches or more.

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; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

(iii) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria. There were no modifications to financial instruments made during the year that could have a material impact on the consolidated financial statements.

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

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

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.

The forbearance activities did not have any material impact on the consolidated financial statements of the Bank as of 31 December 2025.

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30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

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

(iv) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Group including principal instalments, interest payments and fees. The materiality threshold for recognition of default is 5% of the total outstanding credit obligations of the client.
- The Group considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any).

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

(v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group's Economics Department experts and consideration of a variety of external actual and forecasted 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 forecasted 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 the most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2025 included the following ranges of key indicators as shown below.

Economic Indicators	2025	2024
Unemployment Rate	Upside : -13.92% Downside: 27.84%	Upside : -4.02% Downside: 8.04%
Government Total Expenditure Percent of GDP	Upside : 8.61% Downside: -17.21%	Upside : 3.71% Downside: -7.42%
Income Velocity of Money (Non-Oil)	Upside : 3.39% Downside: -6.79%	Upside : 3.19% Downside: -6.39%
Government Revenue	Upside : 9.80% Downside: -19.59%	Upside : 8.85% Downside: -17.69%
Government Non-Oil Revenue	Upside : 9.05% Downside: -18.10%	Upside : 11.39% Downside: -22.79%
Nominal GDP	Upside : 6.41% Downside: -12.82%	Upside : 5.87% Downside: -11.75%
Money Supply	Upside : 5.00% Downside: -10.00%	Upside : 4.76% Downside: -9.52%

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 Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2025 ECL model		
	2026	2027	2028
Unemployment Rate	3.2%	3.1%	3.0%
Government Total Expenditure Percent of GDP	27.2%	27.0%	26.8%
Income Velocity of Money (Non-Oil)	81.6%	78.6%	76.8%
Government Revenue in million	1,155,061	1,207,400	1,242,327
Government Non-Oil Revenue in million	595,177	624,936	656,183
Nominal GDP in million	4,889,459	5,065,928	5,250,490
Money Supply in million	3,474,644	3,750,218	4,022,278

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30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

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

(v) Incorporation of forward looking information (continued)

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

2025	Financing and advances	Letters of credit	Guarantees	Acceptances	Irrevocable
Gross exposure	734,943,929	16,966,498	92,612,856	7,001,889	61,506,031
More optimistic (Upside)	7,191,360	5,788	362,304	17,193	89,351
More pessimistic (Downside)	7,970,689	6,987	400,908	17,777	119,023
Base Case	7,539,662	5,838	368,595	17,150	104,616
Probability weighted	7,355,988	6,358	381,202	17,470	107,344

2024	Financing and advances	Letters of credit	Guarantees	Acceptances	Irrevocable
Gross exposure	662,205,802	17,991,774	80,063,241	7,125,494	54,483,378
More optimistic (Upside)	10,067,879	19,277	404,155	7,852	67,463
More pessimistic (Downside)	10,714,775	22,448	444,828	8,529	86,557
Base Case	10,322,328	19,848	413,604	7,984	73,394
Probability weighted	10,405,224	20,875	424,960	8,196	77,835

30 CREDIT RISK (continued)

(30.2) Financial Risk Management (continued)

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

(vi) Measurement of ECL

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

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

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

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally 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. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing and advances secured by retail property, LTV (Lending to Value) ratios are a key parameter in determining LGD.

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.

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) 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 financing and advances commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a financing and advances 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.

c. Collateral

The Group uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The Group ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of acceptable collateral to the Group include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The Group monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreements. Whenever possible, financing and advances are secured by acceptable forms of collateral in order to mitigate credit risk. Group's policy is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

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Market risk is the risk that changes in market prices, such as interest rate, credit spreads (not relating to changes in the obligor's / issuer's credit standing), equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group separates its exposure to market risk between trading and banking books. Trading book is mainly held by the treasury division and includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested to the Board of Directors. The Risk department is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

The Group uses VaR limits for total market risk embedded in its trading activities including derivatives related to foreign exchange and interest rate. The overall structure of VaR limits is subject to review and approval by the Board of Directors. VaR limits are allocated to the trading book. The daily reports of utilisation of VaR limits are submitted to the senior management of the Group. In addition, regular summaries about various risk measures are submitted to the Risk Committee of the Board.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

- i)** A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- ii)** A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR.
- iii)** VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- iv)** The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- v)** The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, the Group uses stress tests to model the financial impact of exceptional market scenarios on individual trading book and the Group's overall trading position.

31 MARKET RISK (continued)

(31.1) Market risk - Trading book

The table below shows the VaR arises from interest rate, foreign currency exposure and equity exposure held at FVIS portfolio:

	Foreign exchange risk	Interest rate risk	Equity price risk	Overall risk
<u>2025</u>				
End of year VaR	4,324	13,603	2,129	20,056
Average VaR	5,260	28,986	5,673	39,919
	Foreign exchange risk	Interest rate risk	Equity price risk	Overall risk
<u>2024</u>				
End of year VaR	3,575	22,427	18,381	44,383
Average VaR	4,219	23,862	18,659	46,740

(31.2) Market risk - Non-Trading or Banking Book

Market risk on banking book positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

(31.2.1) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

The following table depicts the sensitivity due to reasonably possible changes in interest rate, with other variables held constant, on the Group's consolidated statement of income or statement of changes in equity. The sensitivity of the income is the effect of the assumed changes in interest rate on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at 31 December 2025 and 2024 including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges, as at 31 December 2025 and 2024 for the effect of assumed changes in interest rate. The sensitivity of equity is analyzed by maturity of the assets or cash flow hedge swaps. All significant banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

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31 MARKET RISK (continued)

(31.2) Market risk - Non-Trading or Banking Book (continued)

(31.2.1) Interest rate risk (continued)

	Increase / decrease in basis points	Sensitivity of special commission income	Sensitivity of equity (other reserves)				Over 5 years	Total	
			Within 3 months	3-12 months	1-5 years				
2025									
<u>Currency</u>									
SAR	± 10	± 85,304	± -	± -	± 990	± 7,061	± 8,051		
USD	± 10	± 52,370	± 93	± 861	± 51,686	± 208,727	± 261,367		

	Increase / decrease in basis points	Sensitivity of special commission income	Sensitivity of equity (other reserves)				Over 5 years	Total	
			Within 3 months	3-12 months	1-5 years				
2024									
<u>Currency</u>									
SAR	± 10	± 8,987	± 17	± -	± 1,085	± 14,251	± 15,353		
USD	± 10	± 70,293	± 18	± 1,178	± 42,564	± 222,086	± 265,846		

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31 MARKET RISK (continued)

(31.2) Market risk - Non-Trading or Banking Book (continued)

(31.2.1) Interest rate risk (continued)

(a) Interest rate sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rate on its consolidated financial position and cash flows. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group manages exposure to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Group's exposure to interest rate:

2025	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with central banks	342,994	-	-	-	44,580,243	44,923,237
Due from banks and other financial institutions, net	9,898,708	16,124	551,570	-	12,504,429	22,970,831
Investments, net	27,612,327	20,555,224	68,382,388	172,642,142	30,812,109	320,004,190
- Held at FVIS	64,043	271,968	1,171,721	1,163,344	28,628,524	31,299,600
- Held at FVOCI	10,238,812	5,170,321	25,617,733	50,420,985	2,183,585	93,631,436
- Investments held at amortised cost	17,309,472	15,112,935	41,592,934	121,057,813	-	195,073,154
Financing and advances, net	200,833,602	212,961,753	154,415,645	160,979,427	120,479	729,310,906
- Retail	21,201,554	54,487,269	130,775,123	144,454,689	113,401	351,032,036
- Wholesale	167,694,877	149,694,199	20,670,526	16,289,927	-	354,349,529
- International	8,154,346	8,780,285	2,969,996	234,811	7,078	20,146,516
- Others	3,782,825	-	-	-	-	3,782,825
Positive fair value of derivatives	11,481,397	12,119,958	664,193	1,924,977	700,278	26,890,803
Total financial assets	250,169,028	245,653,059	224,013,796	335,546,546	88,717,538	1,144,099,967
Liabilities						
Due to banks, central banks and other financial institutions	116,469,351	37,222,388	30,678,299	3,759	5,815,242	190,189,039
Customers' deposits	236,299,468	19,043,009	4,930,812	2,990,971	372,830,117	636,094,377
- Current and call accounts	113,321,893	-	-	-	349,933,454	463,255,347
- Time	119,533,889	18,955,455	4,676,800	2,990,971	-	146,157,115
- Others	3,443,686	87,554	254,012	-	22,896,663	26,681,915
Debt securities issued and term loans	60,972,810	52,480,312	10,490,689	8,698,552	-	132,642,363
Negative fair value of derivatives	11,056,523	11,704,502	305,282	1,832,377	474,692	25,373,376
Total financial liabilities	424,798,152	120,450,211	46,405,082	13,525,659	379,120,051	984,299,155
On-balance sheet position gap	(174,629,124)	125,202,848	177,608,714	322,020,887	(290,402,513)	
Off-balance sheet position gap	43,011,349	10,421,194	(15,514,349)	(37,428,322)	-	
Total interest rate sensitivity gap	(131,617,775)	135,624,042	162,094,365	284,592,565	(290,402,513)	
Cumulative interest rate sensitivity gap	(131,617,775)	4,006,267	166,100,632	450,693,197	160,290,684	

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31 MARKET RISK (continued)

(31.2) Market risk - Non-Trading or Banking Book (continued)

(31.2.1) Interest rate risk (continued)

(a) Interest rate sensitivity of assets, liabilities and off-balance sheet items (continued)

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with central banks	4,216	-	-	-	42,115,482	42,119,698
Due from banks and other financial institutions, net	10,053,966	799,030	509,056	-	9,726,371	21,088,423
Investments, net	33,281,792	21,013,682	57,146,392	153,093,508	27,951,433	292,486,807
- Held at FVIS	386,053	650,006	606,191	1,096,186	22,825,188	25,563,624
- Held at FVOCI	8,957,553	4,452,626	25,022,210	42,998,009	5,126,245	86,556,643
- Investments held at amortised cost	23,938,186	15,911,050	31,517,991	108,999,313	-	180,366,540
Financing and advances, net	179,106,259	166,507,195	136,608,402	171,915,465	115,025	654,252,346
- Retail	14,533,893	62,783,939	109,218,875	153,396,006	107,537	340,040,250
- Wholesale	155,116,009	96,412,302	23,918,314	18,151,225	-	293,597,850
- International	6,006,734	7,310,954	3,471,213	368,234	7,488	17,164,623
- Others	3,449,623	-	-	-	-	3,449,623
Positive fair value of derivatives	14,518,952	8,517,536	887,103	2,999,786	452,074	27,375,451
Total financial assets	236,965,185	196,837,443	195,150,953	328,008,759	80,360,385	1,037,322,725
Liabilities						
Due to banks, central banks and other financial institutions	159,155,165	13,700,705	7,178,493	8,955	5,076,472	185,119,790
Customers' deposits	158,892,342	18,037,576	18,239,565	-	384,592,624	579,762,107
- Current and call accounts	62,775,242	-	-	-	355,425,525	418,200,767
- Time	94,009,082	17,957,657	18,126,101	-	-	130,092,840
- Others	2,108,018	79,919	113,464	-	29,167,099	31,468,500
Debt securities issued and term loans	36,212,044	30,696,692	26,867,983	1,528,652	-	95,305,371
Negative fair value of derivatives	14,271,458	7,692,761	435,320	3,099,935	403,833	25,903,307
Total financial liabilities	368,531,009	70,127,734	52,721,361	4,637,542	390,072,929	886,090,575
On-balance sheet position gap	(131,565,824)	126,709,709	142,429,592	323,371,217	(309,712,544)	
Off-balance sheet position gap	29,764,276	3,480,248	(29,911,592)	(2,947,776)	-	
Total interest rate sensitivity gap	(101,801,548)	130,189,957	112,518,000	320,423,441	(309,712,544)	
Cumulative interest rate sensitivity gap	(101,801,548)	28,388,409	140,906,409	461,329,850	151,617,306	

The off-balance sheet position gap represents the net notional amounts of derivative financial instruments, which are used to manage the interest rate risk.

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31 MARKET RISK (continued)

(31.2) Market risk - Non-Trading or Banking Book (continued)

(31.2.2) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

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

<u>Currency</u>	<u>2025</u>		<u>2024</u>	
	<u>Long (short)</u>	<u>Long (short)</u>	<u>Long (short)</u>	<u>Long (short)</u>
US Dollar			(5,166,064)	64,979
TRY			2,598,075	2,718,672

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

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2025 on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, including the effect of hedging instruments, on the consolidated statement of income; the effect on equity of foreign currencies other than Turkish Lira (TRY) is not significant. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

<u>Currency</u>	<u>2025</u>			<u>2024</u>		
	<u>Increase/ decrease in currency rate in %</u>	<u>Effect on profit</u>	<u>Effect on equity</u>	<u>Increase/ decrease in currency rate in %</u>	<u>Effect on profit</u>	<u>Effect on equity</u>
TRY	± 10%	± 4,721	± 227,832	± 10%	± 20,533	± 222,708

(31.2.3) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks.

The effect on equity (other reserves) as a result of a change in the fair value of equity instruments quoted on Saudi Stock Exchange (Tadawul) and held at FVOCI at 31 December 2025 and 31 December 2024 due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

<u>Market index - (Tadawul)</u>	<u>2025</u>		<u>2024</u>	
	<u>Increase / decrease in market equity (other prices %)</u>	<u>Effect on in market equity (other prices %)</u>	<u>Increase / decrease in market equity (other prices %)</u>	<u>Effect on in market equity (other prices %)</u>
Impact of change in market prices	± 10%	± 75,978	± 10%	± 165,768

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32 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management has diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Group has lines of credit in place that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA of 7% of average demand deposits and 4% of average savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash, Saudi Government Bonds or assets which can be converted into cash within a period not exceeding 30 days.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale and Saudi Government Bonds excluding repos. Deposits liabilities include both customers and Banks, excluding non-resident Bank deposits in foreign currency.

(32.1) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 and 31 December 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 on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities as shown on note (32.2) below (Analysis of discounted assets and liabilities by expected maturity). Repayments which are subject to notice are treated as if notice were to be given immediately. However, 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.

<u>Financial liabilities</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>2025</u>						
Due to banks, central banks and other financial institutions	817,092	97,456,168	56,615,398	28,055,648	12,747,289	195,691,595
Customers' deposits	489,937,262	30,602,976	58,777,590	60,092,333	215,357	639,625,518
- Current and call accounts	463,255,347	-	-	-	-	463,255,347
- Time	-	30,602,976	58,777,590	60,092,333	215,357	149,688,256
- Others	26,681,915	-	-	-	-	26,681,915
Debt securities issued and term loans	-	29,591,593	52,805,616	47,902,088	12,602,322	142,901,619
Derivative financial instruments (gross contractual amounts payable)	-	14,950,687	11,909,468	7,683,776	6,053,197	40,597,128
Lease Liabilities	-	41,614	122,829	313,205	198,729	676,377
Total undiscounted financial liabilities	490,754,354	172,643,038	180,230,901	144,047,050	31,816,894	1,019,492,237

<u>Financial liabilities</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>2024</u>						
Due to banks, central banks and other financial institutions	2,145,396	159,152,104	16,171,585	12,331,954	8,639,668	198,440,707
Customers' deposits	449,669,267	91,286,301	19,900,594	20,965,170	14,191	581,835,523
- Current and call accounts	418,200,767	-	-	-	-	418,200,767
- Time	-	91,286,301	19,900,594	20,965,170	14,191	132,166,256
- Others	31,468,500	-	-	-	-	31,468,500
Debt securities issued and term loans	-	36,483,861	32,677,846	29,839,224	629,820	99,630,751
Derivative financial instruments (gross contractual amounts payable)	-	12,608,774	9,685,057	6,596,104	8,364,180	37,254,115
Lease Liabilities	-	45,865	134,815	338,131	782,670	1,301,481
Total undiscounted financial liabilities	451,814,663	299,576,905	78,569,897	70,070,583	18,430,529	918,462,577

The contractual maturity structure of the credit-related and commitments and contingencies are shown under note (19.2(a)).

32 LIQUIDITY RISK (continued)

(32.2) Analysis of discounted assets and liabilities by expected maturity

Below is an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Financial assets and liabilities under the no-fixed maturity category are repayable on demand.

2025	Within 3 months	3-12 months	1-5 years	Over 5 years	No-fixed maturity	Total
Assets						
Cash and balances with central banks	342,994	-	-	-	44,580,243	44,923,237
Due from banks and other financial institutions, net	13,011,358	7,429,153	2,530,320	-	-	22,970,831
Investments, net	8,707,152	16,624,318	72,197,602	191,192,601	31,282,517	320,004,190
- Held at FVIS	102,949	255,147	2,397,461	-	28,544,043	31,299,600
- Held at FVOCI	2,175,190	3,034,507	27,280,782	58,402,483	2,738,474	93,631,436
- Held at amortized cost	6,429,013	13,334,664	42,519,359	132,790,118	-	195,073,154
Financing and advances, net	253,370,580	113,980,617	186,207,373	175,752,336	-	729,310,906
- Retail	21,201,717	35,441,680	118,872,621	175,516,018	-	351,032,036
- Wholesale	223,800,355	70,119,740	60,429,434	-	-	354,349,529
- International	8,368,508	8,419,197	3,122,493	236,318	-	20,146,516
- Others	-	-	3,782,825	-	-	3,782,825
Positive fair value of derivatives	396,311	133,619	235	26,360,638	-	26,890,803
Property, equipment and software, net	-	-	-	-	13,065,976	13,065,976
Goodwill	-	-	-	-	34,006,782	34,006,782
Intangible assets	205,070	615,209	3,922,948	178,461	-	4,921,688
Right of use assets, net	-	-	-	-	967,447	967,447
Other assets	-	3,067,173	-	-	9,902,520	12,969,693
Total assets	276,033,465	141,850,089	264,858,478	393,484,036	133,805,485	1,210,031,553
Liabilities						
Due to banks, central banks and other financial institutions	128,621,668	38,005,024	23,019,517	542,830	-	190,189,039
Customers' deposits	128,302,757	69,527,472	175,800,749	262,463,399	-	636,094,377
- Current and call accounts	6,655,765	44,354,905	150,365,145	261,879,532	-	463,255,347
- Time	118,436,257	20,662,016	6,846,091	212,751	-	146,157,115
- Others	3,210,735	4,510,551	18,589,513	371,116	-	26,681,915
Debt securities issued and term loans	32,983,679	46,163,247	42,739,902	10,755,535	-	132,642,363
Negative fair value of derivatives	86,664	96,085	25,190,627	-	-	25,373,376
Other liabilities	41,138	53,528	382,528	131,381	21,296,575	21,905,150
Total liabilities	290,035,906	153,845,356	267,133,323	273,893,145	21,296,575	1,006,204,305

32 LIQUIDITY RISK (continued)

(32.2) Analysis of discounted assets and liabilities by expected maturity (continued)

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	No-fixed maturity	Total
Assets						
Cash and balances with central banks	4,216	-	-	-	42,115,482	42,119,698
Due from banks and other financial institutions, net	12,743,604	6,342,127	2,002,692	-	-	21,088,423
Investments, net	13,901,545	12,947,408	72,949,723	164,035,001	28,653,130	292,486,807
- Held as FVIS	537,180	391,259	1,937,986	-	22,697,199	25,563,624
- Held at FVOCI	3,462,459	3,264,358	25,895,652	47,978,243	5,955,931	86,556,643
- Held at amortized cost	9,901,906	9,291,791	45,116,085	116,056,758	-	180,366,540
Financing and advances, net	189,439,441	95,995,626	202,539,410	166,277,869	-	654,252,346
- Retail	16,840,741	30,287,518	127,036,054	165,875,937	-	340,040,250
- Wholesale	165,955,849	59,779,536	67,862,465	-	-	293,597,850
- International	6,642,851	5,928,572	4,191,268	401,932	-	17,164,623
- Others	-	-	3,449,623	-	-	3,449,623
Positive fair value of derivatives	482,920	191,405	1,429	26,699,697	-	27,375,451
Property, equipment and software, net	-	-	-	-	11,887,664	11,887,664
Goodwill	-	-	-	-	34,006,782	34,006,782
Intangible assets	205,070	615,209	4,008,940	912,749	-	5,741,968
Right of use assets, net	-	-	-	-	1,005,658	1,005,658
Other assets	-	2,423,787	-	-	11,766,056	14,189,843
Total assets	216,776,796	118,515,562	281,502,194	357,925,316	129,434,772	1,104,154,640
Liabilities						
Due to banks, central banks and other financial institutions	162,513,020	16,473,032	5,380,114	753,624	-	185,119,790
Customers' deposits	163,054,961	81,409,871	140,911,310	194,385,965	-	579,762,107
- Current and call accounts	68,685,414	54,908,318	100,520,191	194,086,844	-	418,200,767
- Time	92,468,444	20,709,666	16,902,520	12,210	-	130,092,840
- Others	1,901,103	5,791,887	23,488,599	286,911	-	31,468,500
Debt securities issued and term loans	35,929,478	31,975,047	26,800,201	600,645	-	95,305,371
Negative fair value of derivative	131,919	111,243	25,660,145	-	-	25,903,307
Other liabilities	59,487	100,546	297,505	682,572	23,648,694	24,788,804
Total liabilities	361,688,865	130,069,739	199,049,275	196,422,806	23,648,694	910,879,379

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND CONTINGENCIES AND CREDIT EXPOSURE

(33.1) The distribution by geographical region for major categories of assets, liabilities and commitments and contingencies and credit exposure at year end is as follows:

2025	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
Assets							
Cash and balances with central banks							
Cash and balances with central banks	43,964,285	26,339	-	907,627	-	24,986	44,923,237
Due from banks and other financial institutions, net	3,918,040	3,113,554	3,215,115	7,116,551	4,811,259	796,312	22,970,831
Investments, net							
- Held at FVIS	5,293,196	687,562	2,135,256	1,127	22,444,980	737,479	31,299,600
- Held at FVOCI	20,994,197	8,774,922	6,402,915	1,330,164	37,982,531	18,146,707	93,631,436
- Held at amortised cost	169,019,783	5,548,133	2,509,943	2,054,702	10,474,672	5,465,921	195,073,154
Financing and advances, net							
- Retail	351,032,036	-	-	-	-	-	351,032,036
- Wholesale	308,673,064	34,675,469	2,727,537	189,663	3,884,571	4,199,225	354,349,529
- International	-	-	-	19,326,464	-	820,052	20,146,516
- Others	3,782,825	-	-	-	-	-	3,782,825
Positive fair value of derivatives	4,279,564	1,795,795	20,095,546	530,165	106,515	83,218	26,890,803
Total	910,956,990	54,621,774	37,086,312	31,456,463	79,704,528	30,273,900	1,144,099,967
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions							
Due to banks, Saudi Central Bank and other financial institutions	71,368,433	34,254,487	16,129,726	4,117,352	1,047,453	63,271,588	190,189,039
Customers' deposits							
- Current and call accounts	606,581,569	4,147,934	29,715	23,598,070	117,635	1,619,454	636,094,377
- Time	452,860,676	751,462	2,560	9,220,715	13,834	406,100	463,255,347
- Others	130,928,464	3,284,078	27,155	11,166,620	103,703	647,095	146,157,115
22,792,429	112,394	-	3,210,735	98	566,259	26,681,915	
Debt securities issued and term loans							
Debt securities issued and term loans	501,299	13,599,340	88,809,221	60,315	4,308,909	25,363,279	132,642,363
Negative fair value of derivatives, net							
Negative fair value of derivatives, net	3,380,708	3,156,270	18,579,323	182,974	5,884	68,217	25,373,376
Total	681,832,009	55,158,031	123,547,985	27,958,711	5,479,881	90,322,538	984,299,155
Commitments and contingencies (note 19.2)							
- Letters of credit	126,883,174	12,000,976	5,242,362	7,321,000	5,945,672	20,694,090	178,087,274
- Guarantees	11,855,145	2,541,417	-	1,996,783	-	573,153	16,966,498
- Acceptances	60,290,478	2,579,108	4,688,154	4,712,876	244,117	20,098,123	92,612,856
- Irrevocable commitments to extend credit	5,434,725	1,456,383	1,645	86,322	-	22,814	7,001,889
49,302,826	5,424,068	552,563	525,019	5,701,555	-	-	61,506,031
Credit exposure (credit equivalent) (note 28.2)							
Commitments and contingencies	80,559,260	9,629,896	3,004,491	6,230,956	-	15,150,629	114,575,232
Derivatives	7,198,897	1,880,379	15,002,257	986,643	202,004	208,500	25,478,680

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND CONTINGENCIES AND CREDIT EXPOSURE (continued)

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

<u>2024</u>	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
Assets							
Cash and balances with central banks							
Cash and balances with central banks	41,315,707	25,061	-	760,081	-	18,849	42,119,698
Due from banks and other financial institutions, net	3,421,725	4,620,054	556,381	5,988,974	5,703,143	798,146	21,088,423
Investments, net							
- Held at FVIS	182,910,227	14,299,822	11,475,870	4,307,305	60,005,248	19,488,335	292,486,807
- Held at FVOCI	4,342,621	684,984	1,173,913	11,364	19,196,068	154,674	25,563,624
- Held at amortised cost	19,955,628	7,525,694	8,006,417	2,072,873	33,055,573	15,940,458	86,556,643
158,611,978	6,089,144	2,295,540	2,223,068	7,753,607	3,393,203		180,366,540
Financing and advances, net							
- Retail	586,288,466	34,953,046	8,048,934	16,622,240	4,084,933	4,254,727	654,252,346
- Wholesale	343,585,576	-	-	-	-	-	343,585,576
- International	239,253,267	34,953,046	8,048,934	254,489	4,084,933	3,457,855	290,052,524
- Others	-	-	-	16,367,751	-	796,872	17,164,623
3,449,623	-	-	-	-	-	-	3,449,623
Positive fair value of derivatives	5,138,778	1,152,409	20,424,789	562,720	86,239	10,516	27,375,451
Total	819,074,903	55,050,392	40,505,974	28,241,320	69,879,563	24,570,573	1,037,322,725
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions							
Due to banks, Saudi Central Bank and other financial institutions	120,687,813	31,423,230	5,037,321	3,625,023	6,865,532	17,480,871	185,119,790
Customers' deposits							
- Current and call accounts	550,081,091	5,488,277	991,923	21,611,645	112,222	1,476,949	579,762,107
- Time	409,528,373	555,478	5,319	7,783,145	12,454	315,998	418,200,767
- Others	111,392,410	4,859,250	986,604	11,927,397	99,768	827,411	130,092,840
29,160,308	73,549	-	1,901,103	-	-	333,540	31,468,500
Debt securities issued and term loans	1,970,068	17,602,543	57,392,687	13,486	1,551,294	16,775,293	95,305,371
Negative fair value of derivatives, net	4,170,137	3,377,448	17,947,606	244,591	22,586	140,939	25,903,307
Total	676,909,109	57,891,498	81,369,537	25,494,745	8,551,634	35,874,052	886,090,575
Commitments and contingencies (note 19.2)							
- Letters of credit	119,079,214	8,608,882	3,774,385	6,600,074	4,557,590	17,043,742	159,663,887
- Guarantees	12,755,161	425,779	590,356	1,478,004	-	2,742,474	17,991,774
- Acceptances	55,929,749	3,022,751	2,720,216	4,513,845	-	13,876,680	80,063,241
- Irrevocable commitments to extend credit	4,826,206	1,776,879	-	97,821	-	424,588	7,125,494
45,568,098	3,383,473	463,813	510,404	4,557,590	-	-	54,483,378
Credit exposure (credit equivalent) (note 28.2)							
Commitments and contingencies	79,115,954	7,582,632	1,918,415	5,806,442	-	11,866,705	106,290,148
Derivatives	6,163,786	1,962,347	15,159,431	1,014,922	188,276	51,001	24,539,763

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2025 and 2024 (Amounts in '000)

33 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND CONTINGENCIES AND CREDIT EXPOSURE (continued)

(33.2) The distribution by geographical concentration of non-performing financing and advances and ECL allowances are as follows:

<u>2025</u>	<u>KSA, GCC and Middle East</u>	<u>Turkey and Pakistan</u>	<u>Total</u>
Non-performing financing and advances	4,647,653	353,673	5,001,326
ECL allowances	(6,918,004)	(437,984)	(7,355,988)

<u>2024</u>	<u>KSA, GCC and Middle East</u>	<u>Turkey and Pakistan</u>	<u>Total</u>
Non-performing financing and advances	7,269,268	423,060	7,692,328
ECL allowances	(9,967,597)	(437,627)	(10,405,224)

34 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

Fair value information of the Group's financial instruments is analysed below:

a. Fair value information for financial instruments at fair value and investments held at amortised cost - fair value hedged

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;

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2025				
Financial assets				
Derivative financial instruments				
Held for trading	93,345	26,117,617	-	26,210,962
Held as cash flow hedges	-	279,833	-	279,833
Held as fair value hedges	-	400,008	-	400,008
	93,345	26,797,458	-	26,890,803
Financial assets held at FVIS				
Fixed rate debt securities	1,335,815	1,333,144	-	2,668,959
Floating rate securities	-	2,117	-	2,117
Equities	249,188	462,889	1,374,776	2,086,853
Mutual funds, hedge funds and others	726,115	8,046,089	17,769,467	26,541,671
	2,311,118	9,844,239	19,144,243	31,299,600
Financial assets held at FVOCI				
Fixed rate debt securities	72,766,842	2,854,127	-	75,620,969
Floating rate securities	7,013,754	8,813,128	-	15,826,882
Equities	1,688,104	19,452	-	1,707,556
Mutual funds, hedge funds and others	110,194	-	365,835	476,029
	81,578,894	11,686,707	365,835	93,631,436
Financial assets held at amortized cost				
Investments held at amortized cost, net				
- fair value hedged (note 6.7.2 (a))	-	4,271,749	-	4,271,749
	-	4,271,749	-	4,271,749
Total	83,983,357	52,600,153	19,510,078	156,093,588
Financial liabilities				
Derivative financial instruments				
Held for trading	99,599	24,436,163	-	24,535,762
Held as cash flow hedges	-	368,204	-	368,204
Held as fair value hedges	-	469,410	-	469,410
	99,599	25,273,777	-	25,373,376

34 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

a. Fair value information for financial instruments at fair value and investments held at amortised cost - fair value hedged (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2024</u>				
<u>Financial assets</u>				
<u>Derivative financial instruments</u>				
Held for trading	127,472	26,390,194	-	26,517,666
Held as cash flow hedges	-	459,269	-	459,269
Held as fair value hedges	-	398,516	-	398,516
	127,472	27,247,979	-	27,375,451
<u>Financial assets held at FVIS</u>				
Fixed rate debt securities	1,310,831	1,254,588	-	2,565,419
Floating rate securities	172,776	241	-	173,017
Equities	999,560	249,771	451,609	1,700,940
Mutual funds, hedge funds and others	102,847	7,627,574	13,393,827	21,124,248
	2,586,014	9,132,174	13,845,436	25,563,624
<u>Financial assets held at FVOCI</u>				
Fixed rate debt securities	61,946,818	3,777,410	-	65,724,228
Floating rate securities	7,470,117	8,236,053	-	15,706,170
Equities	4,847,940	17,977	-	4,865,917
Mutual funds, hedge funds and others	121,018	-	139,310	260,328
	74,385,893	12,031,440	139,310	86,556,643
<u>Financial assets held at amortized cost</u>				
Investments held at amortized cost, net - fair value hedged (note 6.7.2 (a))	-	872,447	-	872,447
	-	872,447	-	872,447
Total	77,099,379	49,284,040	13,984,746	140,368,165
<u>Financial liabilities</u>				
<u>Derivative financial instruments</u>				
Held for trading	115,450	24,857,220	-	24,972,670
Held as cash flow hedges	-	483,317	-	483,317
Held as fair value hedges	-	447,320	-	447,320
	115,450	25,787,857	-	25,903,307

34 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

b. Fair value information for financial instruments not measured at fair value

The fair value of Group's financing and advances as at 31 December 2025 on a business as usual basis applying the guidance of IFRS 13 "Fair Value Measurement", was 0.9% lower than the corresponding book value (2024: 1.4% lower than the corresponding book value). The fair value of Group's financing and advances is categorized within Level 3 of the fair value hierarchy and the fair value of the investments at amortised cost are categorized within Level 2 as disclosed in note 6.4(b).

The fair values of due from banks and other financial institutions, Due to banks, Central Banks and other financial institutions, customers' deposits and debt securities issued and term loans at 31 December 2025 and 31 December 2024 are not materially different from their respective 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 and other financial institutions. 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.

c. Valuation technique and significant unobservable inputs for financial instruments at fair value

The Group uses various valuation techniques for the determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analysed below.

The Group utilises fund managers' reports (and appropriate discounts or haircuts where required) for the determination of fair values of private equity funds and hedge funds. The fund manager deploys various techniques (such as discounted cashflow models and multiples method) for the valuation of underlying financial instruments classified under levels 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted debt securities and derivative financial instruments, the Group obtains fair value estimates from reputable third party valuers, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

d. Transfer between Level 1 and Level 2

At 31 December 2025, FVOCI debt securities with a carrying amount of SR 11.0 million were transferred from Level 2 to Level 1 because market prices for such debt securities became available during 2025. There were no transfers from level 1 to Level 2 during the year ended 31 December 2025, and no transfers in either directions during the year end 31 December 2024.

e. Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balance for Level 3 fair values:

	2025		
	Financial asset held at FVIS	Financial asset held at FVOCI	Total
Balance as at 1 January 2025	13,845,436	139,310	13,984,746
Total gains/(losses), realised and unrealised, in the consolidated statement of income	1,331,405	13,171	1,344,576
Purchases	5,236,521	-	5,236,521
Sales/Maturities	(966,337)	(89,428)	(1,055,765)
Other movements	(302,782)	302,782	-
Balance as at 31 December 2025	19,144,243	365,835	19,510,078

	2024		
	Financial asset held at FVIS	Financial asset held at FVOCI	Total
Balance as at 1 January 2024	10,619,926	786,893	11,406,819
Total gains/(losses), realised and unrealised, in the consolidated statement of income	414,838	43,625	458,463
Purchases	5,103,614	-	5,103,614
Sales/Maturities	(2,292,942)	(691,208)	(2,984,150)
Other movements	-	-	-
Balance as at 31 December 2024	13,845,436	139,310	13,984,746

f. Sensitivity analysis for significant unobservable inputs in valuation of financial instruments at fair value

Certain unobservable inputs were applied in the valuation of hedge funds and private equities for the year ended 31 December 2025 and the impact of the sensitivity is not material.

35 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA and approved by the board of directors and management. Related party balances include the balances resulting from transactions with Governmental shareholders. The ultimate controlling party is the Public Investment Fund "PIF", ultimately owned by the Saudi government.

Major shareholders represent shareholdings of more than 5% of the Bank's issued share capital. Related parties are the persons or close members of those persons' families and their affiliated entities where they have control, joint control or significant influence over these entities.

(35.1) The balances resulting from such transactions included in the consolidated financial statements are as follows:

	<u>2025</u>	<u>2024</u>
Major shareholders and their affiliates with significant influence:		
Customers' deposits	14,186,698	11,575,424
Financing and advances	47,607,684	39,308,628
Commitments and contingencies	8,016,907	7,798,120
Directors, key management personnel and other companies:		
Financing and advances	8,645,585	11,826,612
Customers' deposits	5,012,870	3,454,688
Commitments and contingencies	394,156	894,359
End of service benefits	43,489	47,457
Bank's mutual funds:		
Investment	2,023,886	638,150
Customers' deposits	213	531

35 RELATED PARTY TRANSACTIONS (continued)

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

	2025	2024
Major shareholders and their affiliates with significant influence:		
Special commission income	2,502,536	2,409,992
Special commission expense	835,594	1,093,137
Fees and commission income and expense, net	199,502	142,334
Directors, key management personnel and other companies:		
Special commission income	854,620	1,269,556
Special commission expense	216,247	199,206
Fees and commission income and expense, net	20,449	23,482
End of service benefit obligation	139,777	126,320
Bank's mutual funds:		
Special commission expense	29	118

(35.3) The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2025	2024
Short-term employee benefits	68,134	67,241
Directors' remuneration	25,237	23,961
Post-employment benefits	131	139
Other long-term benefits	91,939	85,090
Share-based payments	17,410	23,773

(35.4) Assets held in a fiduciary capacity:

	2025	2024
Bank's assets under management	1,764,975	3,223,976

The Bank's Board of Directors includes the Board and Board related committees (Executive Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee). For Group's senior executives compensation (see note 36).

(35.5) Transactions with investment funds managed by the Group:

	2025	2024
Transactions included in consolidated statement of income:		
Management fee earned on funds managed by the Group	588,674	615,654
Performance and transaction fee earned on funds managed by the Group	159,009	85,521
Balances included in consolidated statement of financial position:		
Investment in funds managed by the Group	2,033,684	646,316
Management and performance fee receivable from funds managed by the Group	136,480	307,463

36 GROUP'S STAFF REMUNERATION

The following table summarizes the Group's employee categories defined in accordance with SAMA's rules on remuneration practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended 31 December 2025 and 2024, and the forms of such payments:

Categories of employees	2025				2024			
	Number of employees	Fixed remuneration	Variable remuneration paid	Number of employees	Fixed remuneration	Variable remuneration paid	Number of employees	Number of employees
			Cash	Shares		Cash	Shares	
Senior Executives	22	50,552	52,998	21,255	21	47,161	59,591	34,125
Employees engaged in risk taking activities	940	465,388	244,083	38,175	880	437,239	186,426	43,417
Employees engaged in control functions	732	318,301	93,308	20,175	813	304,064	84,135	22,917
Other employees	6,091	1,396,286	314,552	3,667	6,752	1,425,423	311,456	4,841
Subsidiaries	7,553	1,152,751	277,801	-	7,213	1,015,922	288,817	-
Other employee related benefits	-	647,159	-	-	-	602,213	-	-
Accrued variable Compensation	-	880,599	-	-	-	871,020	-	-
Group total	15,338	4,911,036	982,742	83,272	15,679	4,703,042	930,425	105,300

All forms of payment for fixed and variable compensation are either in cash or shares in SNB.

The Bank's Senior Executives are those persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including senior management positions whose appointment requires SAMA's non-objection.

Employees engaged in risk taking activities comprise those officers of the business sectors of Retail and Wholesale banking, who are the key drivers in undertaking business transactions, and managing related business risks.

Employees engaged in control functions include employees in Risk Management, Internal Audit, Compliance, Finance and Legal divisions and roles in other business sectors who are involved in control activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the years ended 31 December 2025 and 2024 (Amounts in '000)****37 CAPITAL ADEQUACY**

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

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

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk. As at 31 December 2025, the Bank is in compliance with the externally imposed capital requirements.

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

	2025	2024
Risk Weighted Assets		
Credit risk	773,405,058	684,824,163
Operational risk	38,614,619	39,309,946
Market risk	18,138,219	30,196,171
Total Pillar-1 - risk weighted assets	830,157,896	754,330,280
Common Equity Tier 1 Capital (CET1)	147,267,575	132,619,766
Core capital (Tier 1)	164,209,115	153,044,867
Supplementary capital (Tier 2)	11,426,061	4,059,123
Core and supplementary capital (Tier 1 and Tier 2)	175,635,176	157,103,990
Capital Adequacy Ratio (Pillar 1):-		
Common Equity Tier 1 Capital (CET1) ratio	17.7%	17.6%
Core capital (Tier 1) ratio	19.8%	20.3%
Core and supplementary capital (Tier 1 and Tier 2) ratio	21.2%	20.8%

Tier 1 capital of the Group comprises share capital, statutory reserve, other reserves, retained earnings, Tier 1 eligible debt securities, foreign currency translation reserve, non-controlling interests, treasury shares, less goodwill, intangible assets and other prescribed deductions. Tier 2 capital comprises of eligible debt securities issued and prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The Group uses the Standardized approach of Basel IV final reforms to calculate the Risk-Weighted Assets and required regulatory capital for Pillar -1 (including Credit Risk, Market Risk and Operational Risk). The management is responsible for ensuring that minimum required Regulatory Capital calculated is compliant with Basel IV final reforms requirements. Quarterly prudential returns are submitted to SAMA showing the Capital Adequacy Ratio.

38 GROUP'S INTEREST IN OTHER ENTITIES**(38.1) Material partly-owned subsidiaries****(a) Significant restrictions**

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 TFKB operate. The supervisory frameworks require TFKB to keep certain levels of regulatory capital and liquid assets, limits its exposure to other parts of the Group and comply with other ratios. The carrying amounts of TFKB's assets and liabilities are ₩ 30,994 million and ₩ 27,249 million, respectively (2024: ₩ 29,098 million and ₩ 27,156 million, respectively).

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group's subsidiary (TFKB) that has material non-controlling interests (NCI).

	<u>2025</u>	<u>2024</u>
Summarised statement of financial position:		
Financing and advances, net	19,326,463	16,367,751
Other assets	12,623,526	12,730,744
Liabilities	30,402,268	27,155,799
Net assets	1,547,721	1,942,696
 Carrying amount of NCI	 510,284	640,507
 Summarised statement of income:		
Total operating income	1,971,347	1,489,005
Net income/(loss)	(70,431)	(306,327)
Total comprehensive income/(loss)	(1,042,623)	(1,234,441)
 Total comprehensive income/(loss) attributable to NCI	 (343,753)	(406,995)
 Summarised cash flow statement:		
Net cash from/(used in) operating activities	(903,877)	(3,541,564)
Net cash from/(used in) investing activities	404,611	2,118,525
Net cash from/(used in) financing activities	43,153	4,561
 Net increase/(decrease) in cash and cash equivalents	 (456,113)	(1,418,478)

38 GROUP'S INTEREST IN OTHER ENTITIES (continued)**(38.2) Involvement with unconsolidated structured entities**

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Group
Hedge funds	To generate returns from trading in the units/shares of the fund and/or via distributions made by the fund. These funds are financed through the issue of units/shares to investors.	• Investments in units issued by the funds.
Private equity funds	To generate returns from long-term capital appreciation in the net worth of the funds, realised via periodic distributions and eventual exit at the end of the life of the funds. These funds are financed through the issue of units/ shares to investors.	• Investments in units/ shares issued by the funds.

The table below sets out an analysis of the carrying amounts of interest held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held:

	<u>2025</u>	<u>2024</u>
Hedge funds	462,335	422,381
Private equity funds	307	307
Total	462,642	422,688

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. As at 31 December 2025 and 2024, the Group holds an interest in all structured entities it has sponsored.

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39 GOODWILL AND OTHER INTANGIBLES

(39.1) Intangibles amounts arising from business combination

	<u>2025</u>	<u>2024</u>
Goodwill	34,006,782	34,006,782
Other intangibles	4,921,688	5,741,968
Total	38,928,470	39,748,750

<u>2025</u>	Other Intangibles			Total
	Goodwill	Core Deposit Intangible	Customer relationships, brand, and trademark	
Cost:				
As at 1 January 2025	34,006,782	7,852,287	1,064,071	42,923,140
As at 31 December	<u>34,006,782</u>	<u>7,852,287</u>	<u>1,064,071</u>	<u>42,923,140</u>
Accumulated amortisation:				
As at 1 January 2025	-	2,676,915	497,475	3,174,390
Charge for the year	-	713,844	106,436	820,280
As at 31 December	<u>-</u>	<u>3,390,759</u>	<u>603,911</u>	<u>3,994,670</u>
Net book value:				
As at 31 December	<u>34,006,782</u>	<u>4,461,528</u>	<u>460,160</u>	<u>38,928,470</u>

<u>2024</u>	Other Intangibles			Total
	Goodwill	Core Deposit Intangible	Customer relationships, brand, and trademark	
Cost:				
As at 1 January 2024	34,006,782	7,852,287	1,064,071	42,923,140
As at 31 December	<u>34,006,782</u>	<u>7,852,287</u>	<u>1,064,071</u>	<u>42,923,140</u>
Accumulated amortisation:				
As at 1 January 2024	-	1,963,071	391,039	2,354,110
Charge for the year	-	713,844	106,436	820,280
As at 31 December	<u>-</u>	<u>2,676,915</u>	<u>497,475</u>	<u>3,174,390</u>
Net book value:				
As at 31 December	<u>34,006,782</u>	<u>5,175,372</u>	<u>566,596</u>	<u>39,748,750</u>

39 GOODWILL AND OTHER INTANGIBLES (continued)**(39.2) Impairment testing of goodwill**

In accordance with the requirements of International Accounting Standard (IAS 36) "Impairment of Assets", the Bank has performed an annual impairment test as at 31 December 2025 in respect of the goodwill arising as a result of acquisition of Samba Financial Group.

Goodwill is allocated to cash-generating units ("CGU's"), which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than a segment. The four CGUs identified are consistent with the operating segments of Banks determined in accordance with IFRS 8 "Operating Segments". The goodwill allocated is as follows:

Cash Generating Unit	Goodwill allocated
Retail	25,647,455
Wholesale	8,359,327
	34,006,782

No goodwill was allocated to Capital Market and International CGU's.

The recoverable amount of each CGU was determined based on value-in-use ("VIU") calculations. These calculations use cash flow projections based on financial plans approved by management covering a five-year period. The carrying amount of CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs on the basis of VIU and employs a discounted cash flow model ("DCF"), which reflects the specifics of the banking business and its regulatory environment.

The model calculates the present value of the estimated future cashflows that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DCF model uses earnings projections and respective capitalisation assumptions based on five-year financial plans approved by the Board of Directors of the Bank, which are discounted to their present value. Estimating future earnings and capital requirements involves judgement and the consideration of past and current performances as well as expected developments in the respective markets, and in the overall macroeconomic and regulatory environments.

Key inputs for VIU calculation and impairment testing

The VIU used projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a long-term terminal growth rate.

Assumptions used for VIU calculations under CGUs to which the recoverable amount is most sensitive were:**a) Growth rates**

The long term growth rate 4.5% (2024: 4.5%) has been based on estimates provided by macro economic research and analyst reports. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

b) Discount rates

Discount rates reflect management's estimate of return on capital employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the cost of equity ("CoE") 10.25% (2024: 10.25%).

c) Projected GDP and local inflation rates

Assumptions are based on published industry research.

40 INVESTMENT MANAGEMENT SERVICES

The Bank offers investment management services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors, with assets under management totaling of ₩ 294,272 million (2024: ₩ 264,766 million).

41 BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 January 2026, (corresponding to 07 Sha'ban 1447H).