THE SAUDI NATIONAL BANK
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND
THE INDEPENDENT AUDITORS' REPORT

Ernst & Young Professional Services **KPMG Professional Services**

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

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Independent Auditors' Report

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

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 2023, 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 2023, 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 ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, a description of how our audit addressed the matter is provided in that context.

Independent Auditors' Report

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Goodwill impairment assessment	Goodwill amounting to SAR 34.0 billion was recognised in the consolidated statement of financial position relating to the Samba merger into the Bank effective 1 April 2021. The Bank has performed the annual goodwill impairment test as at 31 December 2023. The goodwill was allocated to the Retail and Wholesale cash generating units ("CGUs") amounting to SAR 25.6 billion and SAR 8.4 billion, respectively. No goodwill was allocated to Capital and International CGUs. The impairment assessment was performed by comparing the carrying value of each CGU, including the goodwill, to its recoverable amount. The recoverable amount of each identified CGU was determined based on value-in-use ("VIU") calculations. These calculations employ a discounted cash flow (DCF) model, by using cash flow projections based on financial budgets approved by the Board of Directors. The carrying amount of the CGUs are derived using appropriate methodology / basis that is commensurate with the nature of the Group's business. The Group determines the recoverable amounts of its CGUs on the basis of value in use, which reflects the specifics of the banking business and its regulatory environment. Based on the management impairment assessment, no impairment charge against goodwill was identified. The Group's VIU model for the CGUs includes significant judgement and assumptions relating to cashflow projections, long term growth rates and the discount rates, and is highly sensitive to the changes in these assumptions. The above-mentioned factors have increased the estimation uncertainty around the recoverable amount hence, impairment assessment of goodwill. We considered this as a key audit matter, as the estimation of future cash flows and the assumptions involved in calculating the discounted value of these cash flows both involve application of management judgement and estimation, as well as a greater level of auditor effort and judgement to evaluate the reasonableness of management judgements and	• We analysed the identification of different CGUs and assessed whether these were appropriate in line with our understanding of the business and consistent with the internal reporting of the business. Further, we assessed the reasonableness of allocation of goodwill to each identified CGU. • We assessed the strategic/operating plan as approved by the management via analyzing the reasonableness of underlying assumptions pertaining to future courses of action and corresponding budgeted / projected numbers as well as by carrying out back testing of strategic / operating plans of previous years against actual results. Moreover, we analyzed that these were consistently applied in the goodwill impairment assessment conducted by management. • We involved our specialists for assessing the reasonableness of the VIU calculations and the underlying assumptions, including cash flow projections and discount rates used. • We assessed the sensitivity of the results of the VIU model to the various key assumptions, such as long term growth rate and discount rate, within a reasonably possible range reflective of the current environment. • We checked the accuracy and completeness of the data used in the VIU model on a sample basis, and also assessed the mathematical accuracy of the calculations. • We assessed the adequacy of disclosures in the consolidated financial statements in respect of goodwill impairment assessment.

Independent Auditors' Report

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
	assumptions underpinning the goodwill impairment model. *Refer to the summary of material accounting policies note 3.19.1 for goodwill and note 42 which contains the disclosure of goodwill and the impairment testing of goodwill.*	
Expected Credit Loss allowance against financing and advances	As at 31 December 2023, the Group's gross financing and advances amounted to SAR 611,803 million (2022: SAR 556,719 million), [including purchased or originated credit impaired loans ('POCI') amounting to SAR 3,187 million (2022: SAR 2,957 million)], against which an Expected Credit Loss ("ECL") allowance of SAR 10,275 million (2022: SAR 11,408 million) was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorisation of financing and advances into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), except for financing and advances which have undergone a significant increase in credit risk since origination, or those who are in default or those that are classified as purchased / originated credit impaired assets, in which case, the allowance is based on the ECL expected to arise over the life of the financing and advances ('Lifetime ECL'). Additional judgements are applied by the Group when identifying and assessing exposures meeting SICR criteria.	• We obtained and updated our understanding of management's assessment of ECL allowance in respect of financing and advances including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year. • We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology "IT" general and application controls) over: ○ the ECL model, including governance over the model, its validation during the year, and any model updates performed during the year, including approval of Credit and Remedial Management Committee of key inputs, assumptions and management overlays, if any; ○ 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; and ○ the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: ○ the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information in particular;

Independent Auditors' Report

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
	2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to assessment of financial condition of counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 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. Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2023. *Refer to the summary of material accounting policy 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 judgements, 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; note 33 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	○ the staging as identified by management; and ○ management's computations for ECL via analyzing the reasonableness, completeness, accuracy and appropriateness of the inputs including assumptions used therein such as but not limited to probability of default and loss given default percentages; and ○ for selected financing and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment. • 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 of the Group's financing and advances portfolio 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 qualitative factors considered (in light of the prevailing facts and circumstances of the corresponding loans and advances), by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. • We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2023. • Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing

Independent Auditors' Report

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
		reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Impairment for credit losses on debt investments held at IAC and FVOCI	As at 31 December 2023, the Group had gross investments in debt instruments held at amortised cost (IAC) and fair value through other comprehensive income (FVOCI) amounting to SAR 239,711 million (2022: SAR 230,683 million) against which an impairment allowance of SAR 69.0 million has been maintained as at 31 December 2023 (2022: SAR 55.3 million). These investments comprise government, quasi government, corporate sukuks and bonds and other bonds which are subject to the risk of impairment in value due to factors such as liquidity constraints faced by the issuers. Due to the subjectivity inherent in the process of identifying and computing impairment charge for credit losses, it requires significant management judgement. As per the requirements of IFRS 9, management is required to determine and recognize expected credit losses ('ECL'). This required significant judgement, especially in the areas of classifying investments into Stages 1,2 and 3, as stipulated in IFRS 9, determination of significant increase in credit risk, establishing curing periods and computing probability of defaults (PD) and loss given default (LGD) percentages for counterparties. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), except for debt investments held at IAC or FVOCI which have undergone a significant increase in credit risk since origination, those who are in default or those that are classified as purchased / originated credit impaired assets, in which case, the allowance is based on the ECL expected to arise over the life of the investments ('Lifetime ECL'). In making an assessment of whether an investment in a sovereign debt is credit-impaired, the Group considers creditworthiness as reflected in the bond/sukuk yields and assessed by the rating agencies, the country's ability to access the capital markets for new debt issuance, the probability of debt being restructured, the international support mechanisms in place to provide the necessary support to that country, as well as the intention,	Our audit procedures in response to the significant risk associated with the impairment charge for credit losses on Group's debt investments held at IAC and FVOCI covered assessing the appropriateness and adequacy of the corresponding impairment allowances and we have performed following procedures: • We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for determining impairment allowance against investment in debt instruments held at IAC and FVOCI. • We checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. • For provision against debt instruments classified as Stage 1, Stage 2 and Stage 3, we obtained an understanding of the Group's provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency or appropriateness of the data used. For a sample of investments in debt instruments, we checked the appropriateness of determining exposure at default, probability of default, and loss given default used in the expected credit losses calculations. • We challenged the SICR assessment for debt instruments and assessed whether lifetime ECL losses have triggered. We have also checked the reasonableness and justification of management overlays. • Where relevant, we used our specialists including IT specialists and financial risk modelling experts to gain comfort on model recalibration, resultant ECL calculations and data integrity. • We assessed the adequacy of related disclosures in the consolidated financial statements.

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

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
	reflected in public statements, of governments and agencies to use those mechanisms. Since debt investments form a significant component of the Group's consolidated assets, and on account of the significance of judgements applied by management in the aforementioned aspects, we have considered ECL against Group's debt instruments held at IAC and FVOCI to be a key audit matter. *Refer to the summary of material accounting policy 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 judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 6.6 which contains the disclosure of impairment against investments and note 33 for details of credit quality analysis and key assumptions.*	

Valuation of unquoted derivative and unquoted non-derivative financial instruments carried at fair value	As at 31 December 2023, the carrying values of derivative and non-derivative financial assets and financial liabilities carried at fair value aggregated to SAR 71,929 million (2022: SAR 70,779 million) and SAR 20,145 million (2022: SAR 19,420 million), respectively.
	
	The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates.
	
	Estimation uncertainty exists for those instruments not traded in an active market (i.e. unquoted) and where the internal modelling techniques use:
	
	• observable valuation inputs (i.e. level 2 investments); and
	• unobservable valuation inputs (i.e. level 3 investments).
	
	Estimation uncertainty is particularly high for level 3 investments.
	
	The valuation of the Group's unquoted derivative and non-derivative financial instruments in level 2
		• We assessed the design and implementation and tested the operating effectiveness of key controls over;
		
		  ○ management's processes for performing valuation of unquoted derivative and unquoted non-derivative financial instruments; and
		  ○ IT system and the data integrity of the investment portfolio information held.
		
		• We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value unquoted derivative and non-derivative financial instruments.
		
		• We tested the valuation of a sample of unquoted derivative and non-derivative financial instruments. As part of these audit procedures, we assessed the key inputs used in the valuation such as cashflows, discount rates used, comparable entity data and liquidity discounts by benchmarking them with external data.
		
		• In addition to independently testing the valuation of derivatives, we have also

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

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

Key audit matter	**Why considered most significant**	**How our audit addressed the key audit matter**
	and 3 categories was therefore considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgements and estimates made by the management. *Refer to note 2.6(a) to the consolidated financial statements for details of significant judgements applied in valuation of unquoted derivative and non-derivative financial instruments carried at fair value and note 37 which explains the investment valuation methodology used by the Group and the critical judgements and estimates.*	checked the valuation of selected samples against counterparty valuation statements. • We assessed the adequacy of the financial instrument hierarchy and related disclosures in the consolidated financial statements.

Independent Auditors' Report

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

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

Other Information included in the Bank's 2023 Annual Report

Management is responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2023 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 Bank's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

KPMG Professional Services

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

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Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

13 February 2024
(Corresponding to 3 Sha'ban 1445H)

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KPMG Professional Services

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

	Note	2023	2022
ASSETS			
Cash and balances with SAMA	4	**47,498,960**	41,611,004
Due from banks and other financial institutions, net	5	**34,563,457**	16,496,730
Investments, net	6	**269,128,954**	258,291,891
Financing and advances, net	7	**601,527,454**	545,310,659
Positive fair value of derivatives	12	**21,303,650**	20,574,129
Investments in associates, net	8	**246,049**	246,049
Property, equipment and software, net	9	**11,000,461**	9,993,143
Goodwill	42	**34,006,782**	34,006,782
Intangible assets	42	**6,562,248**	7,382,528
Right of use assets, net	10	**1,038,915**	1,533,960
Other assets	11	**10,204,237**	10,049,291
Total assets		**1,037,081,167**	945,496,166
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	13	**211,665,630**	150,994,919
Customers' deposits	14	**590,051,062**	568,283,076
Debt securities issued	15	**13,889,142**	12,987,176
Negative fair value of derivatives	12	**20,145,388**	19,420,104
Other liabilities	16	**24,701,232**	27,033,260
Total liabilities		**860,452,454**	778,718,535
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Share capital	17	**60,000,000**	44,780,000
Share premium		**63,701,800**	63,701,800
Treasury shares	25	**(2,202,680)**	(2,027,503)
Statutory reserve	18	**41,115,165**	36,020,442
Other reserves (cumulative changes in fair values)	19	**(3,718,277)**	(7,807,848)
Employees' share based payments reserve	25	**414,543**	409,021
Retained earnings		**9,157,165**	21,965,712
Foreign currency translation reserve		**(7,750,343)**	(6,555,990)
Equity attributable to shareholders of the Bank		**160,717,373**	150,485,634
Tier 1 Sukuk	28	**15,187,500**	15,487,500
Equity attributable to equity holders of the Bank		**175,904,873**	165,973,134
Non-controlling interest	41	**723,840**	804,497
Total equity		**176,628,713**	166,777,631
Total liabilities and equity		**1,037,081,167**	945,496,166

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The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Ahmad A. Aldhabi	**Talal A. Alkhereiji**	**Saeed M. Al-Ghamdi**
Group Chief Financial Officer	**Acting Chief Executive Officer**	**Chairman**

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

	Note	2023	2022
Special commission income	21	**49,856,985**	34,393,430
Special commission expense	21	**(22,848,045)**	(8,106,231)
Net special commission income		**27,008,940**	26,287,199
Fee income from banking services, net	22	**3,925,081**	3,735,932
Exchange income, net		**1,945,425**	1,580,071
Gain from fair value through income statement (FVIS) financial instruments, net	23	**2,415,641**	1,694,061
Gains/income on non-FVIS financial instruments, net	24	**594,425**	773,837
Other operating expenses, net		**(1,300,111)**	(1,066,547)
Total operating income		**34,589,401**	33,004,553
Salaries and employee-related expenses		**4,661,701**	4,310,284
Rent and premises-related expenses		**549,079**	530,760
Depreciation/amortisation of property, equipment, software and right of use assets	9 & 10	**1,458,904**	1,435,235
Amortization of intangible assets	42	**820,280**	844,865
Other general and administrative expenses		**2,867,119**	2,663,574
Total operating expenses before expected credit losses		**10,357,083**	9,784,718
Net impairment charge for expected credit losses	6 & 7	**922,748**	1,685,484
Total operating expenses		**11,279,831**	11,470,202
Income from operations, net		**23,309,570**	21,534,351
Other non-operating expenses, net		**(536,996)**	(257,572)
Income for the year before Zakat and income tax		**22,772,574**	21,276,779
Zakat and income tax expenses		**(2,663,747)**	(2,547,942)
Net income for the year		**20,108,827**	18,728,837
Net income for the year attributable to:			
Equity holders of the Bank		**20,009,968**	18,580,690
Non-controlling interests	41	**98,859**	148,147
Net income for the year		**20,108,827**	18,728,837
Basic earnings per share (expressed in SAR per share)	27	**3.23**	3.03
Diluted earnings per share (expressed in SAR per share)	27	**3.23**	3.02

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The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Ahmad A. Aldhabi	Talal A. Alkhereiji	Saeed M. Al-Ghamdi
Group Chief Financial Officer	Acting Chief Executive Officer	Chairman

(A Saudi Joint Stock Company)

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

	2023	2022
Net income for the year	**20,108,827**	18,728,837
Other comprehensive loss		
Items that cannot be reclassified to the consolidated statement of income in subsequent years:		
Net losses of movement in fair value through other comprehensive income in equity instruments and actuarial valuation	**(2,666,145)**	(1,800,964)
Items that are or may be reclassified to the consolidated statement of income in subsequent years:		
Net movement in foreign currency translation reserve losses	**(1,766,698)**	(703,506)
Fair value through other comprehensive income - debt instruments:		
- Net changes in fair values	**1,470,231**	(6,025,085)
- Net amounts transferred to the consolidated statement of income	**58,309**	(179,014)
Cash flow hedges:		
- Effective portion of changes in fair values	**(109,956)**	(649,134)
- Net amounts transferred to the consolidated statement of income	**431,896**	20,431
Total other comprehensive loss	**(2,582,363)**	(9,337,272)
Total comprehensive income for the year	**17,526,464**	9,391,565
Attributable to:		
Equity holders of the Bank	**17,894,277**	9,358,779
Non-controlling interests	**(367,813)**	32,786
Total comprehensive income for the year	**17,526,464**	9,391,565

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The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Ahmad A. Aldhabi	**Talal A. Alkhereiji**	**Saeed M. Al-Ghamdi**
Group Chief Financial Officer	**Acting Chief Executive Officer**	**Chairman**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER (Amounts in SAR'000)

		Attributable to equity holders of the Bank													
						Other reserves									
	Note	Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI Financial instrument reserve	Employees' share based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Tier 1 Sukuk	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance as at 1 January 2023		**44,780,000**	**63,701,800**	**(2,027,503)**	**36,020,442**	**(769,271)**	**(7,038,577)**	**409,021**	**21,965,712**	**(6,555,990)**	**150,485,634**	**15,487,500**	**165,973,134**	**804,497**	**166,777,631**
Net income for the year		-	-	-	-	-	-	-	**20,009,968**	-	**20,009,968**	-	**20,009,968**	**98,859**	**20,108,827**
Other comprehensive income/(loss) for the year		-	-	-	-	**321,940**	**(1,243,278)**	-	-	**(1,194,353)**	**(2,115,691)**	-	**(2,115,691)**	**(466,672)**	**(2,582,363)**
Total comprehensive income/(loss) for the year		-	-	-	-	**321,940**	**(1,243,278)**	-	**20,009,968**	**(1,194,353)**	**17,894,277**	-	**17,894,277**	**(367,813)**	**17,526,464**
Other consolidation adjustments		-	-	-	**(795)**	-	**37,319**	-	**(685)**	-	**35,839**	-	**35,839**	-	**35,839**
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	**71,843**	-	**75,873**	-	**918,507**	-	**1,066,223**	-	**1,066,223**	**287,156**	**1,353,379**
Bonus shares issued		**15,220,000**	-	-	-	-	-	-	**(15,220,000)**	-	-	-	-	-	-
Transfer to statutory reserve		-	-	-	**5,023,675**	-	-	-	**(5,023,675)**	-	-	-	-	-	-
Tier 1 Sukuk issued	28	-	-	-	-	-	-	-	-	-	-	**1,000,000**	**1,000,000**	-	**1,000,000**
Tier 1 Sukuk called	28	-	-	-	-	-	-	-	-	-	-	**(1,300,000)**	**(1,300,000)**	-	**(1,300,000)**
Tier 1 Sukuk related costs	28	-	-	-	-	-	-	-	**(772,528)**	-	**(772,528)**	-	**(772,528)**	-	**(772,528)**
Purchase of treasury shares for employee's based payment plan	25	-	-	**(347,766)**	-	-	-	-	**(283)**	-	**(348,049)**	-	**(348,049)**	-	**(348,049)**
Settlement of vested share based payment plan via treasury shares	25	-	-	**172,589**	-	-	-	**(136,053)**	**(35,334)**	-	**1,202**	-	**1,202**	-	**1,202**
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-	-	-	**141,575**	-	-	**141,575**	-	**141,575**	-	**141,575**
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	**4,897,717**	-	**(4,897,717)**	-	-	-	-	-	-
Final dividend paid for 2022	29	-	-	-	-	-	-	-	**(2,686,800)**	-	**(2,686,800)**	-	**(2,686,800)**	-	**(2,686,800)**
Interim dividend paid for 2023	29	-	-	-	-	-	-	-	**(5,100,000)**	-	**(5,100,000)**	-	**(5,100,000)**	-	**(5,100,000)**
Balance as at 31 December 2023		**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**

		Attributable to equity holders of the Bank													
						Other reserves									
		Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI Financial instrument reserve	Employees' share based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Tier 1 Sukuk	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance as at 1 January 2022		44,780,000	63,701,800	(2,137,887)	31,262,024	(140,568)	1,024,290	347,885	17,241,990	(6,069,092)	150,010,442	12,187,500	162,197,942	571,570	162,769,512
Net income for the year		-	-	-	-	-	-	-	18,580,690	-	18,580,690	-	18,580,690	148,147	18,728,837
Other comprehensive income/(loss) for the year		-	-	-	-	(628,703)	(8,106,310)	-	-	(486,898)	(9,221,911)	-	(9,221,911)	(115,361)	(9,337,272)
Total comprehensive income/(loss) for the year		-	-	-	-	(628,703)	(8,106,310)	-	18,580,690	(486,898)	9,358,779	-	9,358,779	32,786	9,391,565
Other consolidation adjustments		-	-	-	-	-	-	-	24,386	-	24,386	-	24,386	-	24,386
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	113,234	-	43,443	-	304,578	-	461,255	-	461,255	200,141	661,396
Bonus shares issued		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve		-	-	-	4,645,184	-	-	-	(4,645,184)	-	-	-	-	-	-
Tier 1 Sukuk issued	28	-	-	-	-	-	-	-	-	-	-	3,300,000	3,300,000	-	3,300,000
Tier 1 Sukuk called	28	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tier 1 Sukuk related costs	28	-	-	-	-	-	-	-	(567,915)	-	(567,915)	-	(567,915)	-	(567,915)
Purchase of treasury shares for employee's based payment plan	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement of vested share based payment plan via treasury shares	25	-	-	110,384	-	-	-	(130,254)	(16,833)	-	(36,703)	-	(36,703)	-	(36,703)
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-	-	-	191,390	-	-	191,390	-	191,390	-	191,390
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final dividend paid for 2021	29	-	-	-	-	-	-	-	(4,030,200)	-	(4,030,200)	-	(4,030,200)	-	(4,030,200)
Interim dividend paid for 2022	29	-	-	-	-	-	-	-	(4,925,800)	-	(4,925,800)	-	(4,925,800)	-	(4,925,800)
Balance as at 31 December 2022		44,780,000	63,701,800	(2,027,503)	36,020,442	(769,271)	(7,038,577)	409,021	21,965,712	(6,555,990)	150,485,634	15,487,500	165,973,134	804,497	166,777,631

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Ahmad A. Aldhabi	**Talal A. Alkhereiji**	**Saeed M. Al-Ghamdi**
Group Chief Financial Officer	**Acting Chief Executive Officer**	**Chairman**

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

	Note	2023	2022
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**22,772,574**	21,276,779
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of discount on non-trading financial instruments, net		**(60,056)**	135,041
Gains on non-FVIS financial instruments, net	24	**(228,386)**	(381,371)
Gains on disposal of property, equipment and software, net		**(74,719)**	(159,557)
Loss on disposal of other repossessed assets		**59,718**	71,492
Depreciation/amortisation of property, equipment, software, and right of use assets	9 & 10	**1,458,904**	1,435,235
Net impairment charge for expected credit losses	6 & 7	**922,748**	1,685,484
Amortization of intangible assets	42	**820,280**	844,865
Share based payments plan expense	25	**141,575**	191,390
Net monetary loss from the application of IAS 29-Hyperinflationary economies		**522,869**	308,951
		26,335,507	25,408,309
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		**(897,272)**	206,087
Due from banks and other financial institutions with original maturity of more than three months, net		**(4,343,547)**	97,806
Held at fair value through income statement (FVIS) investments		**(5,032,172)**	1,608,942
Financing and advances, net		**(65,350,620)**	(55,312,838)
Positive fair value of derivatives		**(862,914)**	(11,476,694)
Other assets		**1,004,135**	9,060,854
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		**61,250,419**	34,313,342
Customers' deposits		**30,194,648**	(12,920,144)
Negative fair value of derivatives		**756,580**	10,039,539
Other liabilities		**(3,976,189)**	(5,264,632)
Net cash generated from/(used in) operating activities		**39,078,575**	(4,239,429)
INVESTING ACTIVITIES			
Proceeds from sale and maturity of non-FVIS investments		**38,316,163**	37,039,460
Purchase of non-FVIS investments		**(45,845,826)**	(63,823,184)
Purchase of property, equipment and software	9	**(2,003,861)**	(2,071,246)
Proceeds from disposal of property and equipment		**157,891**	304,687
Net cash (used in) investing activities		**(9,375,633)**	(28,550,283)
FINANCING ACTIVITIES			
Debt securities issued	15	**2,382,867**	10,556,960
Debt securities payment	15	**(1,916,733)**	(3,606,452)
Tier 1 Sukuk Issuance	28	**1,000,000**	3,300,000
Tier 1 Sukuk called	28	**(1,300,000)**	-
Tier 1 Sukuk related costs	28	**(772,528)**	(567,915)
Purchase of treasury shares	25.2	**(347,766)**	-
Final dividend paid for 2022 and 2021	29	**(2,686,800)**	(4,030,200)
Interim dividend paid for first half of 2023 and 2022	29	**(5,100,000)**	(4,925,800)
Net cash (used in)/generated from financing activities		**(8,740,960)**	726,593
Net increase/(decrease) in cash and cash equivalents		**20,961,982**	(32,063,119)
Foreign currency translation reserve - net movement in cash and cash equivalents at the beginning of the year		**(639,961)**	(651,750)
Cash and cash equivalents at the beginning of the year		**20,158,433**	52,873,302
Cash and cash equivalents at the end of the year	30	**40,480,454**	20,158,433
Special commission income received during the year		**49,236,595**	32,996,576
Special commission expense paid during the year		**21,486,095**	6,519,638
Supplemental non-cash information			
Movement in other reserve and transfers to the consolidated statement of income		**1,850,480**	(6,832,802)

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The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Ahmad A. Aldhabi
Group Chief Financial Officer

Talal A. Alkhereiji
Acting Chief Executive Officer

Saeed M. Al-Ghamdi
Chairman

1 GENERAL

(1.1) Introduction

The Saudi National 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 470 branches (31 December 2022: 494 branches), 19 retail service centers (31 December 2022: 16 centers) and 96 QuickPay remittance centers (31 December 2022: 120 centers) in the Kingdom of Saudi Arabia and four overseas branches in the Kingdom of Bahrain, 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 (the "Bank") and its subsidiaries (collectively referred to as the "Group").

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

1 GENERAL (continued)

(1.2) Group's subsidiaries

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

Name of subsidiary	Ownership % 2023	Ownership % 2022	Functional currency	Description
SNB Capital Company (SNBC)	**100.00%**	100.00%	Saudi Arabian Riyal	A Saudi 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. TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlik Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuks by TFKB.
Real Estate Development Company (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 collateralised real estate properties on behalf of the Bank.
SNB Markets Limited	**100.00%**	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and repos/reverse repos on behalf of the Bank.
Eastgate MENA Direct Equity L.P.	**100.00%**	100.00%	US Dollar	A private equity fund domiciled in the Cayman Islands and managed by SNB Capital Dubai Inc. The Fund's investment objective is to generate returns via investments in Sharia compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).
AlAhli Outsourcing 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 of Saudi Arabia.
Samba Bank Limited, (SBL) Pakistan	**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.
Samba Real Estate Company	**100.00%**	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in managing real estate projects on behalf of the Bank.
SNB Global Limited	**100.00%**	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in managing certain treasury related transactions.
SNB Funding Limited	**100.00%**	100.00%	US Dollar	A Limited Liability company under the laws of the Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.

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) as endorsed in the Kingdom of Saudi Arabia and 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.
'

- 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.

The new Companies Law issued through Royal Decree number M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For most provisions of the Law, full compliance should take place not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of amending the Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / General Assembly meeting for their ratification.

(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 (SAR) 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 in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

2 BASIS OF PREPARATION (continued)

(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.

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 37).

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 42 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 assigning 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

The 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) Business combination and goodwill impairment assessment

The Group has exercised judgement in the relation to the Bank's merger with Samba and the related goodwill impairment assessment. Please refer to note 42 for details.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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 2022, except for the adoption of new standards effective as of 1 January 2023, 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) Hyperinflationary economy

Turkey is considered as a hyperinflationary economy since second quarter of 2022. The Turkish economy was identified to be hyperinflationary based on the criteria established by International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This was determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years.

IAS 29 requires entities whose functional currency is that of a hyperinflationary economy to restate their financial statements in terms of the measuring unit current at the balance sheet date. In particular, the standard requires non-monetary assets and liabilities be restated to reflect the changes in the general purchasing power of the reporting currency while keeping the monetary assets at their current values. The restatement will result in the recognition of a net monetary gain or loss in the statement of income.

Restatement was carried out by applying conversion factors derived from general price indices. TFKB used the index published by the Turkish Statistical Institute to arrive at the below conversion factors that represents the ratio of hyper inflated balances to historical cost:

Date	Index	Conversion factor
31 December 2023	1,859.38	1.0000
31 December 2022	1,128.45	1.6477

(c) 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 2023. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standards, amendments, interpretations	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 8	Definition of accounting estimates	Annual periods beginning on or after 1 January 2023.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(3.1) Changes in accounting policies, estimates and assumptions (continued)

(d) Accounting standards issued but not yet effective

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2024. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Group.

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 Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IAS 21	Lack of exchangeability	1 January 2025

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 at 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, special commission rate futures, forward rate agreements, currency and special commission rate swaps, swaptions, currency and special commission 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 and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the consolidated statement of income under 'gain from fair value through income statement FVIS, 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 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 earning.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the 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 special commission 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 special commission rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortised cost of the financial instrument.

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

The calculation of the special commission rate includes transaction costs and fees paid or received that are an integral part of the special commission 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 special commission 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 special commission 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 special commission 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, the revenue 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 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 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 SAMA", "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' deposit.

(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, plus costs directly attributable to the acquisition that occurred prior to 1 January 2010. 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.

(d) Transactions eliminated on consolidation

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

(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 cost, being 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 and and net rental income are recognized in the consolidated statement of income under other operating income/(expense).

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.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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, vehicles and software	4-10 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 42 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 shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

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

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 cost, net of transaction charges, being the fair value of the consideration received. 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 this amortised amount or the amount of loss allowance.

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 that 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 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor 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 also 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, profit 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 special commission 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 loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

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 special commission 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.

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 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) 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, and trade finance, commercial finance, trade 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-sonstruction/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 comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

• Net interest expense or income.

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

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 compensation

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 three independent and non-executive members including the Chairman of the Committee. The Committee's Rules and responsibilities are in line with the updated SAMA Banks 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.

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.

(3.40) Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit as part of equity. The related 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.

(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.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

4 CASH AND BALANCES WITH SAMA

	2023	2022
Cash in hand	**7,079,885**	7,054,673
Balances with SAMA:		
Statutory deposit	**34,687,418**	33,982,625
Money market placements and current accounts	**5,731,657**	573,706
Cash and balances with SAMA	**47,498,960**	41,611,004

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

The amount of cash and balances with SAMA compliant with Shariah is SAR 43,313 million (2022: SAR 41,047 million).

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2023	2022
Current accounts	**17,165,429**	11,280,335
Money market placements	**10,574,821**	5,169,666
Reverse repos	**6,824,575**	47,902
Expected credit loss allowance	**(1,368)**	(1,173)
Due from banks and other financial institutions, net	**34,563,457**	16,496,730

The amount of due from banks and other financial institutions, net compliant with Shariah is SAR 29,931 million (2022: SAR 9,401 million).

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

6 INVESTMENTS, NET

(6.1) Investments are classified as follows:

	Domestic	International	Total
2023			
Fixed rate securities	**1,313,218**	**2,881,698**	**4,194,916**
Floating rate securities	**-**	**22,523**	**22,523**
Equity instruments	**671,449**	**171,490**	**842,939**
Mutual Funds, Hedge Funds and Others	**1,335,890**	**15,653,000**	**16,988,890**
Held at FVIS	**3,320,557**	**18,728,711**	**22,049,268**
Fixed rate securities	**25,344,772**	**40,529,378**	**65,874,150**
Floating rate securities	**4,447,358**	**11,592,646**	**16,040,004**
Equity instruments	**4,682,629**	**2,755,291**	**7,437,920**
Held at FVOCI, net	**34,474,759**	**54,877,315**	**89,352,074**
Fixed rate securities	**112,253,453**	**17,141,830**	**129,395,283**
Floating rate securities	**25,798,662**	**2,557,193**	**28,355,855**
Expected credit loss allowance	**(5,269)**	**(18,257)**	**(23,526)**
Held at amortised cost, net	**138,046,846**	**19,680,766**	**157,727,612**
Investments, net	**175,842,162**	**93,286,792**	**269,128,954**

	Domestic	International	Total
2022			
Fixed rate securities	1,245,434	907,974	2,153,408
Equity instruments	404,480	84,533	489,013
Mutual Funds, Hedge Funds and Others	1,533,330	12,841,344	14,374,674
Held at FVIS	3,183,244	13,833,851	17,017,095
Fixed rate securities	23,898,468	28,846,782	52,745,250
Floating rate securities	6,115,263	14,298,170	20,413,433
Equity instruments	5,335,631	5,311,358	10,646,989
Held at FVOCI, net	35,349,362	48,456,310	83,805,672
Fixed rate securities	106,997,030	12,988,037	119,985,067
Floating rate securities	33,244,658	4,270,830	37,515,488
Expected credit loss allowance	(3,678)	(27,753)	(31,431)
Held at amortised cost, net	140,238,010	17,231,114	157,469,124
Investments, net	178,770,616	79,521,275	258,291,891

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

6 INVESTMENTS, NET (continued)

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

	2023	2022
Equities and investment funds	**25,269,749**	25,510,676
Sukuk issued by Government - MOF	**121,891,907**	118,008,228
Sukuk issued by Government - Other	**9,880,707**	11,303,521
Sukuk issued by banks and financial institutions	**3,817,706**	3,507,479
Sukuk issued by others	**11,423,391**	16,479,899
Bonds issued by Government - MOF	**31,836,643**	33,545,677
Bonds issued by Government - Other	**26,555,696**	20,724,934
Bonds issued by banks and financial institutions	**19,928,842**	14,086,210
Bonds issued by others	**18,524,313**	15,125,267
Investments, net	**269,128,954**	258,291,891

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

	2023	2022
SAR	**158,753,415**	160,990,922
USD	**100,909,075**	85,435,289
GBP	**976,053**	1,045,327
EUR	**2,664,142**	2,330,379
Other currencies	**5,826,269**	8,489,974
Investments, net	**269,128,954**	258,291,891

Other currencies mainly comprise of TRY, CHF and PKR.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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	
2023	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2023	**156,671,693**	**828,862**	**-**	**157,500,555**
New originated or purchased	**15,042,912**	**-**	**-**	**15,042,912**
Derecognized on repayment or disposal	**(13,952,139)**	**(631,426)**	**-**	**(14,583,565)**
Transfer to stage 1	**-**	**-**	**-**	**-**
Transfer to stage 2	**(257,593)**	**257,593**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**
Foreign currency translation and other adjustments	**(208,764)**	**-**	**-**	**(208,764)**
Balance as at 31 December 2023	**157,296,109**	**455,029**	**-**	**157,751,138**

	Stage 1	Stage 2	Stage 3	
2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	156,162,258	1,497,914	-	157,660,172
New originated or purchased	13,669,587	-	-	13,669,587
Derecognized on repayment or disposal	(13,289,048)	(678,429)	-	(13,967,477)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(9,377)	9,377	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	138,273	-	-	138,273
Balance as at 31 December 2022	156,671,693	828,862	-	157,500,555

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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:

2023	Carrying value	Gross unrealised gains	Gross unrealised losses	Fair value
Fixed rate securities	**129,395,283**	**302,066**	**(9,741,629)**	**119,955,720**
Floating rate securities	**28,355,855**	**205,958**	**(21,851)**	**28,539,962**
Expected credit loss allowance	**(23,526)**	**-**	**-**	**(23,526)**
Held at amortised cost, net	**157,727,612**	**508,024**	**(9,763,480)**	**148,472,156**

2022	Carrying value	Gross unrealised gains	Gross unrealised losses	Fair value
Fixed rate securities	119,985,067	186,679	(10,822,760)	109,348,986
Floating rate securities	37,515,488	38,540	(81,781)	37,472,247
Expected credit loss allowance	(31,431)	-	-	(31,431)
Held at amortised cost, net	157,469,124	225,219	(10,904,541)	146,789,802

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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:

	Stage 1	Stage 2	Stage 3	
2023	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2023	**72,394,156**	**764,527**	**-**	**73,158,683**
New originated or purchased	**24,108,851**	**-**	**-**	**24,108,851**
Derecognized on sale or disposal	**(15,604,411)**	**(238,286)**	**-**	**(15,842,697)**
Change in fair value	**1,535,927**	**51,198**	**-**	**1,587,125**
Transfer to stage 1	**135,074**	**(135,074)**	**-**	**-**
Transfer to stage 2	**(258,077)**	**258,077**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**
Foreign currency translation and other adjustments	**(1,097,808)**	**-**	**-**	**(1,097,808)**
Balance as at 31 December 2023	**81,213,712**	**700,442**	**-**	**81,914,154**

	Stage 1	Stage 2	Stage 3	
2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	78,440,132	953,539	-	79,393,671
New originated or purchased	23,831,268	-	-	23,831,268
Derecognized on sale or disposal	(22,555,689)	(553,344)	-	(23,109,033)
Change in fair value	(7,212,289)	(113,851)	-	(7,326,140)
Transfer to stage 1	188,253	(188,253)	-	-
Transfer to stage 2	(666,436)	666,436	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	368,917	-	-	368,917
Balance as at 31 December 2022	72,394,156	764,527	-	73,158,683

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

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:

	Stage 1	**Stage 2**	**Stage 3**	
2023	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2023	**28,789**	**26,487**	**-**	**55,276**
Net ECL charge/(reversal)	**39,040**	**(24,190)**	**-**	**14,850**
Transfer to stage 1	**251**	**(251)**	**-**	**-**
Transfer to stage 2	**(264)**	**264**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**
Foreign currency translation and other adjustments	**(1,113)**	**-**	**-**	**(1,113)**
Balance as at 31 December 2023	**66,703**	**2,310**	**-**	**69,013**

	Stage 1	Stage 2	Stage 3	
2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	46,686	69,293	-	115,979
Net ECL charge/(reversal)	(17,946)	(42,494)	-	(60,440)
Transfer to stage 1	992	(992)	-	-
Transfer to stage 2	(680)	680	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(263)	-	-	(263)
Balance as at 31 December 2022	28,789	26,487	-	55,276

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

6 INVESTMENTS, NET (continued)

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

	Quoted	Unquoted	Total
2023			
Fixed rate securities	4,009,873	185,043	4,194,916
Floating rate securities	22,523	-	22,523
Equity instruments, mutual funds, hedge funds and others	2,118,918	15,712,911	17,831,829
Held at FVIS	6,151,314	15,897,954	22,049,268
Fixed rate securities	63,830,210	2,043,940	65,874,150
Floating rate securities	7,644,938	8,395,066	16,040,004
Equity instruments, mutual funds, hedge funds and others	7,335,816	102,104	7,437,920
Held at FVOCI, net	78,810,964	10,541,110	89,352,074
Fixed rate securities	125,396,993	3,998,290	129,395,283
Floating rate securities	22,719,208	5,636,647	28,355,855
Expected credit loss allowance	(18,796)	(4,730)	(23,526)
Held at amortised cost, net	148,097,405	9,630,207	157,727,612
Investments, net	233,059,683	36,069,271	269,128,954

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

6 INVESTMENTS, NET (continued)

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

	Quoted	Unquoted	Total
2022			
Fixed rate securities	1,985,540	167,868	2,153,408
Floating rate securities	-	-	-
Equity instruments, mutual funds, hedge funds and others	2,044,278	12,819,409	14,863,687
Held at FVIS	4,029,818	12,987,277	17,017,095
Fixed rate securities	51,473,855	1,271,395	52,745,250
Floating rate securities	13,320,752	7,092,681	20,413,433
Equity instruments	10,552,823	94,166	10,646,989
Held at FVOCI, net	75,347,430	8,458,242	83,805,672
Fixed rate securities	115,064,346	4,920,721	119,985,067
Floating rate securities	29,386,164	8,129,324	37,515,488
Expected credit loss allowance	(28,760)	(2,671)	(31,431)
Held at amortised cost, net	144,421,750	13,047,374	157,469,124
Investments, net	223,798,998	34,492,893	258,291,891

a) Investments held at amortised cost include investments amounting to SAR 1,730 million (2022: SAR 6,687 million) which are held under a fair value hedge relationship. As at 31 December 2023, the fair value of these investments amounts to SAR 1,606 million (2022: SAR 3,513 million).

b) Dividend income recognized during 2023 for FVOCI investments amount to SAR 366 million (2022: SAR 392 million) refer to note 24.

c) Total investments include Shariah based investments amounting to SAR 153,994 million (31 December 2022: SAR 159,161 million).

d) During the 12-month ended 31 December 2023, Credit Suisse Group AG ('Credit Suisse') faced decline in its share and bond prices. Pursuant to the foregoing, on 19 March 2023, following negotiations with the Swiss government, Union Bank of Switzerland ('UBS') announced its intent to acquire Credit Suisse through shares exchange. Upon completion of the acquisition on 12 June 2023, Credit Suisse stand fully merged with UBS as the surviving entity. The Group derecognised its investment in Credit Suisse by recording a fair value loss directly within Retained Earnings and recognised its investment in UBS as held at FVOCI.

(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 2023, securities amounting to SAR 5,013 million (2022: SAR 4,904 million) were lent to counterparties under securities lending transactions.

(6.9) Counterparty analysis of the Group's investments, net of impairment

	2023	2022
Government and Quasi Government	**199,017,502**	198,645,980
Banks and other financial institutions	**39,256,944**	38,083,795
Corporates	**30,854,508**	21,562,116
Investments, net	**269,128,954**	258,291,891

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET

(7.1) Financing and advances, net

	Consumer & Credit Card	Corporate	International	Others	Total
2023					
Performing financing and advances	**321,462,169**	**231,538,918**	**16,053,679**	**32,201,306**	**601,256,072**
Non-performing financing and advances	**1,716,279**	**5,224,182**	**419,010**	**-**	**7,359,471**
Total financing and advances	**323,178,448**	**236,763,100**	**16,472,689**	**32,201,306**	**608,615,543**
Allowance for financing losses (ECL allowance) (note 7.3)	**(2,597,246)**	**(7,095,129)**	**(510,772)**	**(72,157)**	**(10,275,304)**
Purchased or originated credit impaired	**-**	**3,187,215**	**-**	**-**	**3,187,215**
Financing and advances, net	**320,581,202**	**232,855,186**	**15,961,917**	**32,129,149**	**601,527,454**

	Consumer & Credit Card	Corporate	International	Others	Total
2022					
Performing financing and advances	294,251,753	208,296,464	17,053,755	25,177,303	544,779,275
Non-performing financing and advances	1,372,043	7,135,888	474,594	-	8,982,525
Total financing and advances	295,623,796	215,432,352	17,528,349	25,177,303	553,761,800
Allowance for financing losses (ECL allowance) (note 7.3)	(2,215,958)	(8,318,226)	(788,340)	(85,340)	(11,407,864)
Purchased or originated credit impaired	22,256	2,934,467	-	-	2,956,723
Financing and advances, net	293,430,094	210,048,593	16,740,009	25,091,963	545,310,659

Others includes financing and advances related to financial institutions.

Below is a breakdown by financing products in compliance with Shariah rules:

	2023	2022
Tawarooq	**290,828,955**	265,893,611
Murabaha	**164,470,761**	145,726,665
Ijara	**43,979,361**	41,705,113
Other Islamic Products	**13,347,591**	14,951,478
Total performing financing and advances	**512,626,668**	468,276,867
Non-performing financing and advances	**6,029,009**	7,222,199
Allowance for financing losses (ECL allowance)	**(8,533,473)**	(9,295,129)
Purchased or originated credit impaired	**2,232,588**	1,721,262
Financing and advances, net	**512,354,792**	467,925,199

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

2023	**Gross carrying amount**			
	Stage 1	**Stage 2**	**Stage 3**	
Consolidated	**(12-months ECL)**	**(lifetime ECL for SICR)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**519,489,592**	**25,154,679**	**9,117,529**	**553,761,800**
Net increase/(decrease) during the year	**63,125,384**	**1,411,783**	**688,844**	**65,226,011**
Transfer to stage 1	**1,696,852**	**(1,538,098)**	**(158,754)**	**-**
Transfer to stage 2	**(4,875,066)**	**4,939,156**	**(64,090)**	**-**
Transfer to stage 3	**(879,568)**	**(1,254,423)**	**2,133,991**	**-**
Foreign exchange losses and other movements	**(5,755,284)**	**(502,255)**	**(183,085)**	**(6,440,624)**
Bad debts written off	**-**	**-**	**(3,931,644)**	**(3,931,644)**
As at 31 December 2023	**572,801,910**	**28,210,842**	**7,602,791**	**608,615,543**

2022	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	
Consolidated	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	479,150,455	18,361,979	8,448,460	505,960,894
Net increase/(decrease) during the year	54,240,415	561,918	176,507	54,978,840
Transfer to stage 1	1,535,439	(1,453,214)	(82,225)	-
Transfer to stage 2	(10,163,619)	10,197,579	(33,960)	-
Transfer to stage 3	(892,698)	(2,106,445)	2,999,143	-
Foreign exchange losses and other movements	(4,380,400)	(407,138)	(264,237)	(5,051,775)
Bad debts written off	-	-	(2,126,159)	(2,126,159)
As at 31 December 2022	519,489,592	25,154,679	9,117,529	553,761,800

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

	Expected credit loss allowance			
2023	**Stage 1**	**Stage 2**	**Stage 3**	
Consolidated	**(12-month ECL)**	**(lifetime ECL for significant increase in credit risk)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**1,821,973**	**3,268,956**	**6,316,935**	**11,407,864**
Net impairment charge/(reversal)	**(252,869)**	**749,205**	**2,708,394**	**3,204,730**
Transfer to stage 1	**672,857**	**(514,103)**	**(158,754)**	**-**
Transfer to stage 2	**(274,799)**	**337,232**	**(62,433)**	**-**
Transfer to stage 3	**(822)**	**(496,177)**	**496,999**	**-**
Bad debts written off	**-**	**-**	**(3,931,644)**	**(3,931,644)**
Foreign exchange gains and (losses)	**(45,723)**	**(80,246)**	**(204,632)**	**(330,601)**
Other movements	**-**	**(75,045)**	**-**	**(75,045)**
As at 31 December 2023	**1,920,617**	**3,189,822**	**5,164,865**	**10,275,304**

	Expected credit loss allowance			
2022	Stage 1	Stage 2	Stage 3	
Consolidated	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	2,364,423	2,816,469	5,835,715	11,016,607
Net impairment charge/(reversal)	(614,127)	806,662	2,671,095	2,863,630
Transfer to stage 1	152,350	(121,544)	(30,806)	-
Transfer to stage 2	(57,196)	70,392	(13,196)	-
Transfer to stage 3	(15,760)	(195,321)	211,081	-
Bad debts written off	-	-	(2,126,159)	(2,126,159)
Foreign exchange gains and (losses)	(7,717)	(100,862)	(230,795)	(339,374)
Other movements	-	(6,840)	-	(6,840)
As at 31 December 2022	1,821,973	3,268,956	6,316,935	11,407,864

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

2023	**Expected credit loss allowance**			
	Stage 1	**Stage 2**	**Stage 3**	
Consumer and Credit Card	**(12-month ECL)**	**(lifetime ECL for significant increase in credit risk)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**1,091,977**	**430,010**	**693,971**	**2,215,958**
Net impairment charge/(reversal)	**(177,482)**	**409,319**	**1,221,475**	**1,453,312**
Transfer to stage 1	**670,718**	**(511,964)**	**(158,754)**	**-**
Transfer to stage 2	**(239,618)**	**302,051**	**(62,433)**	**-**
Transfer to stage 3	**(296)**	**(318,154)**	**318,450**	**-**
Bad debts written off	**-**	**-**	**(1,072,024)**	**(1,072,024)**
Foreign exchange gains and (losses)	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**-**
As at 31 December 2023	**1,345,299**	**311,262**	**940,685**	**2,597,246**

2022	Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	
Consumer and Credit Card	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	1,063,137	353,116	493,055	1,909,308
Net impairment charge/(reversal)	(103,216)	219,713	1,265,143	1,381,640
Transfer to stage 1	151,839	(121,033)	(30,806)	-
Transfer to stage 2	(9,421)	22,617	(13,196)	-
Transfer to stage 3	(10,362)	(44,403)	54,765	-
Bad debts written off	-	-	(1,074,990)	(1,074,990)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2022	1,091,977	430,010	693,971	2,215,958

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

	Expected credit loss allowance			
2023	**Stage 1**	**Stage 2**	**Stage 3**	
Corporate	**(12-month ECL)**	**(lifetime ECL for significant increase in credit risk)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**668,828**	**2,521,752**	**5,127,646**	**8,318,226**
Net impairment charge/(reversal)	**(103,271)**	**286,135**	**1,374,763**	**1,557,627**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	**(34,820)**	**34,820**	-	-
Transfer to stage 3	**(443)**	**(162,810)**	**163,253**	-
Bad debts written off	-	-	**(2,705,679)**	**(2,705,679)**
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	**(75,045)**	-	**(75,045)**
As at 31 December 2023	**530,294**	**2,604,852**	**3,959,983**	**7,095,129**

	Expected credit loss allowance			
2022	Stage 1	Stage 2	Stage 3	
Corporate	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	1,253,292	2,274,216	4,658,566	8,186,074
Net impairment charge/(reversal)	(534,836)	358,426	1,262,272	1,085,862
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(44,301)	44,301	-	-
Transfer to stage 3	(5,327)	(148,351)	153,678	-
Bad debts written off	-	-	(946,870)	(946,870)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	(6,840)	-	(6,840)
As at 31 December 2022	668,828	2,521,752	5,127,646	8,318,226

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

	Expected credit loss allowance			
2023	**Stage 1**	**Stage 2**	**Stage 3**	
International	**(12-month ECL)**	**(lifetime ECL for significant increase in credit risk)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**32,303**	**260,719**	**495,318**	**788,340**
Net impairment charge/(reversal)	**43,059**	**51,759**	**112,156**	**206,974**
Transfer to stage 1	**2,139**	**(2,139)**	**-**	**-**
Transfer to stage 2	**(361)**	**361**	**-**	**-**
Transfer to stage 3	**(83)**	**(15,213)**	**15,296**	**-**
Bad debts written off	**-**	**-**	**(153,941)**	**(153,941)**
Foreign exchange gains and (losses)	**(45,723)**	**(80,246)**	**(204,632)**	**(330,601)**
Other movements	**-**	**-**	**-**	**-**
As at 31 December 2023	**31,334**	**215,241**	**264,197**	**510,772**

	Expected credit loss allowance			
2022	Stage 1	Stage 2	Stage 3	
International	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	38,469	189,137	684,094	911,700
Net impairment charge/(reversal)	4,585	172,048	143,680	320,313
Transfer to stage 1	511	(511)	-	-
Transfer to stage 2	(3,474)	3,474	-	-
Transfer to stage 3	(71)	(2,567)	2,638	-
Bad debts written off	-	-	(104,299)	(104,299)
Foreign exchange gains and (losses)	(7,717)	(100,862)	(230,795)	(339,374)
Other movements	-	-	-	-
As at 31 December 2022	32,303	260,719	495,318	788,340

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

	Expected credit loss allowance			
2023	**Stage 1**	**Stage 2**	**Stage 3**	
Others	**(12-month ECL)**	**(lifetime ECL for significant increase in credit risk)**	**(lifetime ECL for credit impaired)**	**Total**
At 1 January 2023	**28,865**	**56,475**	**-**	**85,340**
Net impairment charge/(reversal)	**(15,175)**	**1,992**	**-**	**(13,183)**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Bad debts written off	-	-	-	-
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2023	**13,690**	**58,467**	**-**	**72,157**

	Expected credit loss allowance			
2022	Stage 1	Stage 2	Stage 3	
Others	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
At 1 January 2022	9,525	-	-	9,525
Net impairment charge/(reversal)	19,340	56,475	-	75,815
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Bad debts written off	-	-	-	-
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2022	28,865	56,475	-	85,340

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

7 FINANCING AND ADVANCES, NET (continued)

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

2023	**Stage 1**	**Stage 2**	**Stage 3**		
Consolidated	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**POCI**	**Total**
Net impairment (reversal)/charge	**(252,869)**	**749,205**	**2,708,394**	**-**	**3,204,730**
Provision/(reversal) against indirect facilities (included in other liabilities)	**(11,971)**	**6,050**	**(292,799)**	**(361,617)**	**(660,337)**
Recoveries/reassessments	**-**	**(64)**	**(1,262,437)**	**(413,709)**	**(1,676,210)**
Direct write-off	**-**	**-**	**47,392**	**-**	**47,392**
Others	**(7,530)**	**442**	**(589)**	**-**	**(7,677)**
Net charge for the year	**(272,370)**	**755,633**	**1,199,961**	**(775,326)**	**907,898**

2022	Stage 1	Stage 2	Stage 3		
Consolidated	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	POCI	Total
Net impairment (reversal)/charge	(614,127)	806,662	2,671,095	-	2,863,630
Provision/(reversal) against indirect facilities (included in other liabilities)	(61,559)	33,426	(829)	-	(28,962)
Recoveries/reassessments	-	-	(922,614)	(179,249)	(1,101,863)
Direct write-off	-	-	37,205	-	37,205
Others	(37,358)	331	12,941	-	(24,086)
Net charge for the year	(713,044)	840,419	1,797,798	(179,249)	1,745,924

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7 FINANCING AND ADVANCES, NET (continued)

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

2023	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
Government and Quasi Government	**856,117**	**(996)**	**-**	**855,121**
Banks and other financial institutions	**29,117,537**	**(12,155)**	**-**	**29,105,382**
Agriculture and fishing	**338,229**	**(4,854)**	**-**	**333,375**
Manufacturing	**48,422,961**	**(1,456,775)**	**249,315**	**47,215,501**
Mining and quarrying	**12,087,841**	**(12,287)**	**-**	**12,075,554**
Electricity, water, gas and health services	**40,122,044**	**(122,869)**	**11,853**	**40,011,028**
Building and construction	**16,955,476**	**(2,651,140)**	**626,749**	**14,931,085**
Commerce	**67,531,836**	**(2,821,639)**	**2,003,702**	**66,713,899**
Transportation and communication	**22,883,365**	**(84,344)**	**-**	**22,799,021**
Consumers	**323,178,448**	**(2,597,246)**	**-**	**320,581,202**
Others	**47,121,689**	**(510,999)**	**295,596**	**46,906,286**
Financing and advances, net	**608,615,543**	**(10,275,304)**	**3,187,215**	**601,527,454**

2022	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
Government and Quasi Government	3,374,633	(5,691)	-	3,368,942
Banks and other financial institutions	18,979,002	(21,352)	-	18,957,650
Agriculture and fishing	754,840	(7,517)	-	747,323
Manufacturing	42,212,784	(2,174,163)	249,315	40,287,936
Mining and quarrying	12,983,352	(21,865)	-	12,961,487
Electricity, water, gas and health services	37,619,120	(128,338)	11,853	37,502,635
Building and construction	17,619,220	(2,982,111)	623,517	15,260,626
Commerce	66,601,377	(3,159,302)	1,754,194	65,196,269
Transportation and communication	19,786,296	(107,976)	-	19,678,320
Consumers	295,623,796	(2,215,958)	22,256	293,430,094
Others	38,207,380	(583,591)	295,588	37,919,377
Financing and advances, net	553,761,800	(11,407,864)	2,956,723	545,310,659

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7 FINANCING AND ADVANCES, NET (continued)

(7.6) The details of finance lease receivables (including Ijara in compliance with Shariah rules) included in financing and advances is as follows:

	2023	2022
Gross finance lease receivables:		
Less than 1 year	**6,714,209**	4,768,901
1 to 5 years	**18,846,593**	15,391,019
Over 5 years	**26,811,458**	29,606,246
Total	**52,372,260**	49,766,166
Unearned finance income on finance leases:		
Less than 1 year	**(293,815)**	(125,161)
1 to 5 years	**(3,078,714)**	(2,176,153)
Over 5 years	**(5,238,644)**	(5,971,980)
Total	**(8,611,173)**	(8,273,294)
Net finance lease receivables:		
Less than 1 year	**6,420,394**	4,643,740
1 to 5 years	**15,767,879**	13,214,866
Over 5 years	**21,572,814**	23,634,266
Total	**43,761,087**	41,492,872

Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses is SAR 218 million (2022: SAR 212 million).

8 INVESTMENTS IN ASSOCIATES, NET

	2023	2022
Cost:		
At the beginning of the year	**960,000**	1,014,000
Disposal	**-**	(54,000)
As at 31 December	**960,000**	960,000
Allowance for impairment and share of results:		
At beginning of the year	**(713,951)**	(694,400)
Net impairment charge during the year	-	-
Disposal	-	(19,551)
As at 31 December	**(713,951)**	(713,951)
Investments in associates, net	**246,049**	246,049

Investments in associates consists of a 60% (2022: 60%) ownership interest in the Commercial Real Estate Markets Company, which is registered in the Kingdom of Saudi Arabia. Commercial Real Estate Markets Company is not listed on any stock exchange.

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9 PROPERTY, EQUIPMENT AND SOFTWARE, NET

	2023						2022					
	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	1,784,562	6,999,197	5,067,692	3,641,555	1,168,837	18,661,843	1,688,673	6,131,102	4,277,850	2,868,064	1,256,288	16,221,977
Impact of Hyperinflation	143,484	153,332	160,616	157,397	-	614,829	128,987	85,994	248,478	250,316	826	714,601
Foreign currency translation adjustment	(80,204)	(86,439)	(153,341)	(148,411)	(3,932)	(472,327)	(33,098)	(31,924)	(43,703)	(48,705)	(3,441)	(160,871)
Additions	134,555	172,157	118,754	216,914	1,361,481	2,003,861	-	300,749	566,024	20,450	1,184,023	2,071,246
Disposals and retirements	(7,775)	(53,870)	(55,187)	(30,283)	(1,530)	(148,645)	-	(148,327)	(35,266)	-	(1,517)	(185,110)
Transfer from capital work in progress	-	624,924	106,977	647,098	(1,378,999)	-	-	661,603	54,309	551,430	(1,267,342)	-
As at 31 December	1,974,622	7,809,301	5,245,511	4,484,270	1,145,857	20,659,561	1,784,562	6,999,197	5,067,692	3,641,555	1,168,837	18,661,843
Accumulated depreciation/amortisation:												
At beginning of the year	-	3,200,886	3,391,627	2,076,187	-	8,668,700	-	2,841,076	2,886,514	1,619,244	-	7,346,834
Impact of Hyperinflation	-	35,815	69,520	91,838	-	197,173	-	73,828	175,439	190,878	-	440,145
Foreign currency translation adjustment	-	(67,064)	(139,819)	(118,908)	-	(325,791)	-	(9,218)	(36,702)	(15,372)	-	(61,292)
Charge for the year	-	369,989	296,028	518,474	-	1,184,491	-	314,249	387,307	281,437	-	982,993
Disposals and retirements	-	(11,320)	(47,475)	(6,678)	-	(65,473)	-	(19,049)	(20,931)	-	-	(39,980)
As at 31 December	-	3,528,306	3,569,881	2,560,913	-	9,659,100	-	3,200,886	3,391,627	2,076,187	-	8,668,700
Net book value:												
As at 31 December	1,974,622	4,280,995	1,675,630	1,923,357	1,145,857	11,000,461	1,784,562	3,798,311	1,676,065	1,565,368	1,168,837	9,993,143

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10 RIGHT OF USE ASSETS, NET

	2023				
	Land	**Buildings**	**Furniture and office equipment**	**Vehicles**	**Total**
Cost:					
As at 1 January 2023	**838,004**	**1,918,189**	**80,734**	**24,026**	**2,860,953**
Impact of Hyperinflation	**3,378**	**138,705**	**-**	**9,468**	**151,551**
Additions	**18,588**	**71,988**	**75,118**	**5,352**	**171,046**
Terminations	**(105,292)**	**(306,209)**	**(14,212)**	**(9,515)**	**(435,228)**
Foreign currency translation adjustment	**(3,588)**	**(155,514)**	**-**	**(6,952)**	**(166,054)**
As at 31 December	**751,090**	**1,667,159**	**141,640**	**22,379**	**2,582,268**
Accumulated depreciation:					
As at 1 January 2023	**411,655**	**854,954**	**47,369**	**13,015**	**1,326,993**
Impact of hyperinflation	**1,630**	**39,371**	**-**	**4,740**	**45,741**
Charge for the year	**90,277**	**174,619**	**-**	**9,517**	**274,413**
Terminations	**(2,819)**	**(23,364)**	**-**	**(9,266)**	**(35,449)**
Foreign currency translation adjustment	**(3,374)**	**(89,061)**	**-**	**(3,846)**	**(96,281)**
Other movements	**27,936**	**-**	**-**	**-**	**27,936**
As at 31 December	**525,305**	**956,519**	**47,369**	**14,160**	**1,543,353**
Net book value:					
As at 31 December	**225,785**	**710,640**	**94,271**	**8,219**	**1,038,915**

	2022				
	Land	Buildings	Furniture and office equipment	Vehicles	Total
Cost:					
As at 1 January 2022	808,273	1,720,785	80,734	15,965	2,625,757
Impact of Hyperinflation	2,897	121,471	-	9,819	134,187
Additions	166,896	153,223	-	1,540	321,659
Terminations	(139,227)	(41,612)	-	(192)	(181,031)
Foreign currency translation adjustment	(835)	(35,678)	-	(3,106)	(39,619)
As at 31 December	838,004	1,918,189	80,734	24,026	2,860,953
Accumulated depreciation:					
As at 1 January 2022	277,945	503,776	34,191	7,558	823,470
Impact of hyperinflation	1,153	30,852	-	3,128	35,133
Charge for the year	77,730	356,427	13,178	4,907	452,242
Terminations	(20,358)	(15,632)	-	(62)	(36,052)
Foreign currency translation adjustment	(751)	(20,469)	-	(2,516)	(23,736)
Other movements	75,936	-	-	-	75,936
As at 31 December	411,655	854,954	47,369	13,015	1,326,993
Net book value:					
As at 31 December	426,349	1,063,235	33,365	11,011	1,533,960

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11 OTHER ASSETS

(11.1) Other Assets

	2023	2022
Assets purchased under Murabaha arrangements	**2,548,712**	2,278,068
Prepayments and advances	**2,470,446**	2,594,641
Margin deposits against derivatives and repos	**2,774,825**	3,557,449
Other real estate, net (note 11.2)	**702,599**	556,826
Others	**1,707,655**	1,062,307
Total	**10,204,237**	10,049,291

(11.2) Other Real Estate, Net

	2023	2022
Cost:		
At beginning of the year	**1,359,144**	1,533,582
Additions	**310,164**	60,284
Disposals	**(63,622)**	(234,722)
At 31 December	**1,605,686**	1,359,144
Provision and foreign currency translation adjustment:		
Foreign currency translation adjustment	**(364,480)**	(340,719)
Provision for impairment	**(538,607)**	(461,599)
At 31 December	**(903,087)**	(802,318)
Other real estate, net	**702,599**	556,826

12 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 special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and 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 special commission 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, special commission 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.

(12.1) 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.

(12.2) Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (see note 33 - credit risk, note 34 - market risk and note 35 - liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce special commission 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 special commission 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 special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options.

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

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12 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			
2023	**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**
Held for trading:											
Special commission rate instruments	**20,252,784**	**(18,855,152)**	**619,082,348**	**-**	**-**	**-**	**-**	**44,782,563**	**62,072,437**	**345,498,211**	**166,729,137**
Forward foreign exchange contracts	**359,367**	**(242,094)**	**67,846,571**	**-**	**-**	**-**	**-**	**38,648,581**	**13,415,588**	**15,782,402**	**-**
Options	**9,247**	**(11,867)**	**2,643,666**	**-**	**-**	**-**	**-**	**99,751**	**347,465**	**2,143,950**	**52,500**
Held as fair value hedges:											
Special commission rate instruments	**498,266**	**(434,142)**	**17,237,464**	**(811,707)**	**(79,430)**	**-**	**-**	**1,035,000**	**212,400**	**11,013,342**	**4,976,722**
Held as cash flow hedges:											
Special commission rate instruments and cross currency swaps	**183,986**	**(602,133)**	**10,577,655**	**246,962**	**(11,480)**	**321,940**	**(188,630)**	**1,057,880**	**418,574**	**8,672,491**	**428,710**
Total	**21,303,650**	**(20,145,388)**	**717,387,704**	**(564,745)**	**(90,910)**	**321,940**	**(188,630)**	**85,623,775**	**76,466,464**	**383,110,396**	**172,187,069**

								Notional amounts by term to maturity			
2022	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
Held for trading:											
Special commission rate instruments	18,386,533	(17,560,871)	574,561,781	-	-	-	-	38,036,622	67,487,104	318,875,321	150,162,734
Forward foreign exchange contracts	537,416	(416,866)	232,028,764	-	-	-	-	144,095,716	64,306,849	23,626,199	-
Options	29,949	(32,859)	4,592,927	-	-	-	-	730,679	3,507,419	354,829	-
Held as fair value hedges:											
Special commission rate instruments	1,318,713	(442,882)	19,280,981	2,289,311	(1,661)	-	-	112,500	551,334	8,692,097	9,925,050
Held as cash flow hedges:											
Special commission rate instruments and cross currency swaps	301,518	(966,626)	15,566,853	(608,745)	(13,593)	(628,703)	(7,788)	858,417	7,125,000	7,506,891	76,545
Total	20,574,129	(19,420,104)	846,031,306	1,680,566	(15,254)	(628,703)	(7,788)	183,833,934	142,977,706	359,055,337	160,164,329

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12 DERIVATIVES (continued)

	Carrying amount		**Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item**		
2023	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Change in value used for calculating hedge ineffectiveness**
Held as fair value hedges:					
Investments/Debt Issue/Due to Banks	**5,840,754**	**10,443,933**	**(214,011)**	**(175,784)**	**(811,707)**
Total	**5,840,754**	**10,443,933**	**(214,011)**	**(175,784)**	**(811,707)**

	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item		
2022	Assets	Liabilities	Assets	Liabilities	Change in value used for calculating hedge ineffectiveness
Held as fair value hedges:					
Investments/Debt Issue/Due to Banks	12,729,446	4,611,393	(988,256)	(231,488)	2,289,311
Total	12,729,446	4,611,393	(988,256)	(231,488)	2,289,311

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12 DERIVATIVES (continued)

2023	**Changes in value used for calculating hedge ineffectiveness**	**Cashflow hedge reserve**
Held as cash flow hedges:		
Investments / Debt Issuance / Due to Banks	**246,962**	**(343,338)**
Total	**246,962**	**(343,338)**

2022	Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve
Held as cash flow hedges:		
Investments / Debt Issuance / Due to Banks	(608,745)	(682,074)
Total	(608,745)	(682,074)

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12 DERIVATIVES (continued)

The below are derivative products in compliant with Shariah rules:

2023	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
Held for trading:							
Profit Rate Swap	**1,574,509**	**(986,767)**	**63,493,714**	**3,614,195**	**7,550,255**	**39,190,939**	**13,138,325**
Islamic foreign exchange	**42,072**	**(60,240)**	**8,768,312**	**7,302,101**	**1,466,211**	**-**	**-**
Options	**966**	**(966)**	**388,742**	**97,765**	**290,977**	**-**	**-**
Total	**1,617,547**	**(1,047,973)**	**72,650,768**	**11,014,061**	**9,307,443**	**39,190,939**	**13,138,325**

2022	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
Held for trading:							
Profit Rate Swap	1,631,067	(951,160)	56,862,014	2,968,415	5,019,855	40,701,955	8,171,789
Islamic foreign exchange	790	(432)	1,156,562	491,454	477,558	187,550	-
Options	-	-	-	-	-	-	-
Total	1,631,857	(951,592)	58,018,576	3,459,869	5,497,413	40,889,505	8,171,789

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12 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.

2023	**Fair value**	**Cost**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Description of hedged items						
Fixed rate instruments	**15,741,417**	**16,179,488**	Fair value	Special commission rate instruments	**498,266**	**(434,142)**
Fixed rate and floating rate instruments	**9,115,071**	**9,141,005**	Cash flow	Special commission rate instruments and cross currency swaps	**183,986**	**(602,133)**

2022	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate instruments	16,772,274	18,151,602	Fair value	Special commission rate instruments	1,318,713	(442,882)
Fixed rate and floating rate instruments	16,209,325	16,296,998	Cash flow	Special commission rate instruments and cross currency swaps	301,518	(966,626)

Approximately 78% (2022: 57%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 22% (2022: 43%) 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 at a variable rate. The Bank generally uses special commission rate swaps as hedging instruments to hedge against these special commission 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:

	Within 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
2023				
Cash inflows (assets)	**183,868**	**416,630**	**324,651**	**230,508**
Cash outflows (liabilities)	**(501,481)**	**(613,416)**	**(271,530)**	**(208,978)**
Net cash inflows (outflows)	**(317,613)**	**(196,786)**	**53,121**	**21,530**

	Within 1 year	1-3 years	3-5 years	Over 5 years
2022				
Cash inflows (assets)	4,013,511	540,750	185,668	88,632
Cash outflows (liabilities)	(4,306,438)	(999,876)	(167,057)	(72,201)
Net cash inflows (outflows)	(292,927)	(459,126)	18,611	16,431

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13 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023	2022
Current accounts	**2,829,623**	4,251,759
Money market deposits	**81,973,645**	86,197,555
Repos (note 32 (a))	**126,862,362**	60,545,605
Total	**211,665,630**	150,994,919

The amount of due to banks and other financial institutions compliant with Shariah is SAR 50,071 million (2022: SAR 38,529 million).

14 CUSTOMERS' DEPOSITS

	2023	2022
Current and call accounts	**447,507,213**	427,245,252
Time	**120,018,607**	116,646,379
Others	**22,525,242**	24,391,445
Total	**590,051,062**	568,283,076

Other customers' deposits include SAR 6,887 million (2022: SAR 5,134 million) of margins held for irrevocable commitments and contingencies.

The amount of customers' deposits compliant with Shariah is SAR 440,015 million (2022: SAR 438,491 million).

International segment deposits included in customers' deposits comprise of:

	2023	2022
Current and call accounts	**7,576,570**	9,047,056
Time	**16,070,675**	12,871,846
Others	**1,753,364**	3,155,855
Total	**25,400,609**	25,074,757

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

	2023	2022
Current and call accounts	**50,900,655**	31,758,495
Time	**55,252,135**	68,993,057
Others	**2,305,737**	4,011,880
Total	**108,458,527**	104,763,432

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15 DEBT SECURITIES ISSUED

Issuer	Year of issue	Tenure	Particulars	2023	2022
Türkiye Finans Katılım Bankası A.Ş.	2022-2021	2 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	23,969
	2022-2021	4 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	75,131
	2022	5 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	8,941
	2022	6 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	5,791
	2023	6 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**4,081**	-
	2023	7 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**6,753**	-
	2023	10 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**845**	-
	2023	11 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**1,266**	-
	2023	1 year	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**416**	-
SNB	2019	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**3,775,236**	3,865,683
	2020	7 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**1,742,410**	1,731,336
	2022	2 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**378,833**	378,833
	2022	3 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**107,543**	108,466
	2022	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**3,156,531**	3,067,828
	2022	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**2,431,859**	2,429,534
	2023	2 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**189,691**	-
	2023	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**79,758**	-
	2023	10 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**107,431**	-
	2023	3 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**105,965**	-
	2023	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**564,979**	-
	2023	7 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**37,835**	-
	2023	10 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**140,104**	-
SNBC	2023	1 year	Short-term certificates issued at commercial market rate	**985,500**	1,200,883
SBL	2022	10 years	Non-convertible listed TFCs on Pakistan Stock Exchange carrying profit at a floating rate.	**72,106**	90,781
Total				**13,889,142**	12,987,176

Movement of the debt securities issued during the year is as follows:

	2023	2022
Balance at beginning of the year	**12,987,176**	6,112,447
Debt securities issued	**2,382,867**	10,556,960
Debt securities payment	**(1,916,733)**	(3,606,452)
Foreign currency translation and other adjustment	**435,832**	(75,779)
Balance at the end of the year	**13,889,142**	12,987,176

The amount of debt securities issued complied with Shariah is SAR 3,962 million (2022: SAR 4,051 million).

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16 OTHER LIABILITIES

(16.1) Other Liabilities

	2023	2022
Zakat (see notes 16.2.1)	**2,210,953**	2,478,615
Staff-related payables	**1,610,377**	1,441,049
Accrued expenses and accounts payable	**5,960,550**	6,999,638
Allowances for credit losses on indirect facilities	**3,959,488**	4,278,517
Employee benefit obligation (note 26)	**1,501,866**	1,451,639
Lease liabilities	**1,201,865**	1,821,791
Treasury related and other payables	**1,551,569**	1,790,376
Others	**6,704,564**	6,771,635
Total	**24,701,232**	27,033,260

(16.2) Zakat and Tax

The Bank and it's 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 2023 based on applicable zakat rules for financial institutions. The Bank submitted its zakat return for the year ended 31 December 2022, and obtained the unrestricted zakat certificate. The financial years 2019 through 2022 are under the review of ZATCA, the assessments in respect to the Bank’s zakat returns for the financial years up to 2018 have been finalized.

Moreover, pursuant to the merger with Samba Financial Group ("Samba"), the Bank assumed all of Samba’s obligations owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), which are to be paid in equal instalments until 2023. The Bank paid the last two instalments amounting to SAR 400 Million in December 2023. Hence, there is not outstanding balance to be paid by the Bank.

(16.2.1) The movement in Zakat provision is as follows:	2023	2022
As at 1 January	**2,478,615**	2,229,067
Charge during the year	**2,167,360**	2,112,164
Amount paid during the year	**(2,435,022)**	(1,862,616)
At 31 December	**2,210,953**	2,478,615

17 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 6,000 million shares of SAR 10 each (31 December 2022 4,478 million shares of SAR 10 each).

On 12 January 2023, corresponding to 19 Jumad al-thani 1444H, the Board of Directors of the Bank recommended to an Extraordinary General Shareholders Assembly an increase of 34% of the Bank's existing capital through bonus shares with approximately 1 bonus share for every 3 shares owned. Subsequently, the Extraordinary General Assembly of the Bank resolved on 7 May 2023 (corresponding to 17 Shawwal 1444H) to increase the share capital from SAR 44,780 million to SAR 60,000 million by transferring an amount of SAR 15,220 million from the "Retained Earnings" account to “Share Capital” account.

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18 STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law, a minimum of 25% of the 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.

19 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.

20 COMMITMENTS AND CONTINGENCIES

(20.1) Capital and other non-credit related commitments

As at 31 December 2023 the Bank had capital commitments of SAR 6,530 million (2022: SAR 6,488 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.

(20.2) 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:

2023	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**10,074,763**	**7,219,874**	**1,963,785**	**36,700**	**19,295,122**
Guarantees	**17,189,358**	**24,694,284**	**20,181,128**	**1,048,633**	**63,113,403**
Acceptances	**3,784,165**	**2,644,164**	**29,374**	**14,873**	**6,472,576**
Irrevocable commitments to extend credit	**-**	**451,080**	**8,617,742**	**9,645,534**	**18,714,356**
Total	**31,048,286**	**35,009,402**	**30,792,029**	**10,745,740**	**107,595,457**

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	9,391,176	5,393,388	1,150,422	136,231	16,071,217
Guarantees	13,854,680	25,837,223	17,555,142	1,476,322	58,723,367
Acceptances	3,161,323	2,132,392	14,884	16,474	5,325,073
Irrevocable commitments to extend credit	-	1,012,714	7,498,907	9,452,631	17,964,252
Total	26,407,179	34,375,717	26,219,355	11,081,658	98,083,909

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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20 COMMITMENTS AND CONTINGENCIES (continued)

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

	2023	2022
Government and Quasi Government	**7,394,673**	6,745,625
Corporate	**80,024,692**	72,841,716
Banks and other financial institutions	**19,835,111**	18,167,003
Others	**340,981**	329,565
Total	**107,595,457**	98,083,909

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

2023	**Stage 1** **12 month ECL**	**Stage 2** **Lifetime ECL not credit impaired**	**Stage 3** **Lifetime ECL credit impaired**	**POCI**	**Total**
Balance as at 1 January 2023	**180,147**	**40,979**	**323,473**	**3,733,918**	**4,278,517**
Net re-measurement of loss allowance	**(19,109)**	**7,103**	**(43,660)**	**(253,632)**	**(309,298)**
Transfer to stage 1	**637**	**(317)**	**(320)**	**-**	**-**
Transfer to stage 2	**(1,158)**	**1,158**	**-**	**-**	**-**
Transfer to stage 3	**(388)**	**(2,072)**	**2,460**	**-**	**-**
Foreign currency translation	**(1,548)**	**(212)**	**(7,971)**	**-**	**(9,731)**
Total	**158,581**	**46,639**	**273,982**	**3,480,286**	**3,959,488**

2022	Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	POCI	Total
Balance as at 1 January 2022	177,569	7,469	309,319	3,821,435	4,315,792
Net re-measurement of loss allowance	7,893	30,944	20,705	(87,517)	(27,975)
Transfer to stage 1	72	(72)	-	-	-
Transfer to stage 2	(3,597)	3,597	-	-	-
Transfer to stage 3	(495)	(789)	1,284	-	-
Foreign currency translation	(1,295)	(170)	(7,835)	-	(9,300)
Total	180,147	40,979	323,473	3,733,918	4,278,517

21 NET SPECIAL COMMISSION INCOME

	2023	2022
Special commission income:		
Investments - FVOCI	**4,061,231**	4,267,857
Investments held at amortised cost	**6,212,164**	3,349,673
Sub total - investments	**10,273,395**	7,617,530
Due from banks and other financial institutions	**1,040,476**	623,148
Financing and advances	**38,543,114**	26,152,752
Total	**49,856,985**	34,393,430
Special commission expense:		
Due to banks and other financial institutions	**8,832,382**	3,154,601
Customers' deposits	**13,386,239**	4,606,586
Debt securities issued	**629,424**	345,044
Total	**22,848,045**	8,106,231
Net special commission income	**27,008,940**	26,287,199

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22 FEE INCOME FROM BANKING SERVICES, NET

	2023	2022
Fee income:		
Shares brokerage	**731,796**	836,672
Investment management services	**887,749**	1,017,587
Financing and cards	**3,081,925**	2,698,268
Trade finance	**564,091**	567,286
Others	**722,934**	570,681
Total	**5,988,495**	5,690,494
Fee expenses:		
Shares brokerage	**(244,358)**	(307,793)
Investment management services	**(50,623)**	(37,224)
Financing and cards	**(1,741,863)**	(1,591,297)
Others	**(26,570)**	(18,248)
Total	**(2,063,414)**	(1,954,562)
Fee income from banking services, net	**3,925,081**	3,735,932

23 INCOME FROM FAIR VALUE THROUGH INCOME STATEMENT (FVIS) FINANCIAL INSTRUMENTS, NET

	2023	2022
Investments held at FVIS	**1,331,901**	397,246
Derivatives	**1,083,740**	1,296,815
Total	**2,415,641**	1,694,061

24 GAINS/INCOME ON NON-FVIS FINANCIAL INSTRUMENTS, NET

	2023	2022
Gains on disposal of non-FVIS financial instruments, net	**228,386**	381,371
Dividend income from non-FVIS financial instruments (note 6)	**366,039**	392,466
Total	**594,425**	773,837

25 SHARE BASED PAYMENTS RESERVE

(25.1) Employee share based payment 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 four outstanding plans. Significant features of these plans are as follows:

Nature of Plan	Equity Based Long Term Bonus Plan
Number of outstanding plans	4
Grant date	January 2019 to January 2023
Maturity date	December 2023 - December 2025
Vesting period	3-5 years
Method of settlement	Equity
Fair value per share on grant date adjusted for bonus share issue	Average price SAR 42.77

25 SHARE BASED PAYMENTS RESERVE (continued)

(25.1) Employee share based payment plan (continued):

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

	Weighted average price (in SAR)		Number of shares (in 000's)	
	2023	2022	**2023**	2022
Beginning of the year	**40**	36	**11,797**	12,359
Forfeited	**27**	44	**(1,010)**	(550)
Exercised	**30**	43	**(4,610)**	(3,283)
Granted during the year	**37**	54	**4,664**	3,271
End of the year	**43**	40	**10,841**	11,797

(25.2) Treasury shares:

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

	Number of treasury shares (in 000's)	
	2023	2022
Beginning of the year	**53,248**	56,531
Purchased	**10,000**	-
Settled	**(4,610)**	(3,283)
Cancelled	**(305)**	-
End of the year	**58,333**	53,248

26 EMPLOYEE BENEFIT OBLIGATION

(26.1) 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. During the year, based on the actuarial assessment, a charge of SAR 232 million (2022: SAR 106 million) related to current service and interest cost was recorded in the consolidated statement of income. The end of service liability is disclosed in note 16.

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

	2023	2022
As at 1 January	**1,451,639**	1,838,046
Included in consolidated statement of income		
Current service cost	**153,869**	72,676
Interest expense	**77,687**	33,324
Other	**-**	-
Total amount included in consolidated statement of income	**231,556**	106,000
Included in other comprehensive loss		
Actuarial gain or loss arising from:		
Changes in demographic assumptions	**(1,124)**	(173,322)
Changes in financial assumptions	**(43,150)**	-
Experience adjustment	**26,174**	(18,126)
Total amount included in other comprehensive income	**(18,100)**	(191,448)
Other movements		
End of service benefits paid	**(163,229)**	(300,959)
At 31 December	**1,501,866**	1,451,639

26 EMPLOYEE BENEFIT OBLIGATION (continued)

(26.3) 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 effect the determination of the estimated closing obligation, which is accounted for as an actuarial gain or loss for the year.

Critical assumptions used:

	2023	2022
Discount rate	**5.0%**	4.7%
Normal retirement age (years)	**60**	60
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 2023 and 2022:

	2023	2022
Discount rate +1%	**114,341**	128,381
Discount rate -1%	**(131,627)**	(150,990)
Salary rate +1%	**(133,097)**	158,492
Salary rate -1%	**117,575**	(137,164)

27 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2023 and 31 December 2022 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.

Diluted earnings per share for the years ended 31 December 2023 and 31 December 2022 is calculated by dividing the fully diluted net income attributable to equity holders of the Bank for the year by the weighted average number of outstanding shares. The diluted earning per share is adjusted with the impact of the employees' share based payment plan.

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

	Basic EPS		Diluted EPS	
	2023	2022	**2023**	2022
Weighted-Average number of shares outstanding (in thousands)	**5,947,986**	5,946,592	**5,955,993**	5,956,426
Earnings per share (in SAR)	**3.23**	3.03	**3.23**	3.02

28 TIER 1 SUKUK

During 2023, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to SAR 1.3 billion. In addition, one of the subsidiaries of the Group issued Tier 1 Sukuk, amounting to SAR 1 billion (SAR-denominated) through a Shariah Compliant arrangement (the arrangement). These arrangements were approved by the regulatory authorities, the Board of Directors of the Bank and Board of Directors of the subsidiary.

In 2022, the Bank issued, through a Shariah compliant arrangement, additional Tier 1 Sukuk, amounting to SAR 3.3 billion (SAR-denominated).These arrangements were approved by the regulatory authorities and Board of Directors of the Bank.

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

The applicable profit rate on the 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.

29 DIVIDEND

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

Distribution Date	Amount (SAR per share)	Total Payout Net of Zakat	Type	Status
May 2023	0.60	2,686,800	Final	Paid
Aug 2023	0.85	5,100,000	Interim	Paid
April 2022	0.90	4,030,200	Final	Paid
July 2022	1.10	4,925,800	Interim	Paid

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30 CASH AND CASH EQUIVALENTS

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

	2023	2022
Cash and balances with SAMA excluding statutory deposit (note 4)	**12,811,542**	7,628,379
Due from banks and other financial institutions with original maturity of three months or less	**27,668,912**	12,530,054
Total	**40,480,454**	20,158,433

31 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.

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31 OPERATING SEGMENTS (continued)

(31.1) 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:

2023	Retail	Wholesale	Capital Market	International	Total
Total assets	**406,082,382**	**583,693,083**	**15,759,536**	**31,546,166**	**1,037,081,167**
Total liabilities	**358,220,373**	**470,319,353**	**4,172,656**	**27,740,072**	**860,452,454**
Customers' deposits	**347,346,781**	**217,260,018**	**43,654**	**25,400,609**	**590,051,062**
Total operating income from external customers	**16,749,316**	**12,792,118**	**1,935,528**	**3,112,439**	**34,589,401**
Intersegment operating income (expense)	**(874,676)**	**1,014,417**	**(139,741)**	**-**	**-**
Total operating income	**15,874,640**	**13,806,535**	**1,795,787**	**3,112,439**	**34,589,401**
of which:					
Net special commission income	**15,595,629**	**9,462,969**	**360,496**	**1,589,846**	**27,008,940**
Fee income from banking services, net	**868,894**	**1,046,108**	**1,309,504**	**700,575**	**3,925,081**
Total operating expenses	**7,164,027**	**1,779,795**	**620,876**	**1,715,133**	**11,279,831**
of which:					
Depreciation/amortisation of property, equipment, software and Right of use assets	**867,301**	**244,168**	**28,400**	**319,035**	**1,458,904**
Amortization of intangible assets	**551,059**	**181,941**	**87,280**	**-**	**820,280**
Net impairment charge for expected credit losses	**810,619**	**(151,845)**	**12,016**	**251,958**	**922,748**
Other non-operating (expenses)/income, net	**(21,828)**	**(55,466)**	**(6,663)**	**(453,039)**	**(536,996)**
Net income for the year before Zakat and income tax	**8,688,785**	**11,971,274**	**1,168,248**	**944,267**	**22,772,574**

2022	Retail	Wholesale	Capital Market	International	Total
Total assets	378,838,023	520,759,426	13,843,869	32,054,848	945,496,166
Total liabilities	342,040,029	403,696,476	4,353,972	28,628,058	778,718,535
Customers' deposits	330,224,495	211,577,670	1,406,154	25,074,757	568,283,076
Total operating income from external customers	14,212,636	14,279,213	1,937,630	2,575,074	33,004,553
Intersegment operating income (expense)	399,303	(331,320)	(67,983)	-	-
Total operating income	14,611,939	13,947,893	1,869,647	2,575,074	33,004,553
of which:					
Net special commission income	13,796,395	10,244,475	255,649	1,990,680	26,287,199
Fee income from banking services, net	1,119,134	938,868	1,479,893	198,037	3,735,932
Total operating expenses	7,038,693	2,550,849	573,078	1,307,582	11,470,202
of which:					
Depreciation/amortisation of property, equipment, software and Right of use assets	974,828	213,594	26,105	220,708	1,435,235
Amortization of intangible assets	553,633	192,706	98,526	-	844,865
Net impairment charge for expected credit losses	628,899	717,901	3,369	335,315	1,685,484
Other non-operating (expenses)/income, net	19,150	36,111	(79)	(312,754)	(257,572)
Net income for the year before Zakat and income tax	7,592,396	11,433,155	1,296,490	954,738	21,276,779

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

31 OPERATING SEGMENTS (continued)

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

2023	**Retail**	**Wholesale**	**Capital Market**	**International**	**Total**
Statement of financial position assets	**323,184,144**	**551,982,457**	**2,568,128**	**22,099,949**	**899,834,678**
Commitments and contingencies (credit equivalent)	**4,778,826**	**68,467,305**	**-**	**2,907,299**	**76,153,430**
Derivatives (credit equivalent)	**-**	**15,200,530**	**-**	**198,390**	**15,398,920**

2022	Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	297,535,591	494,146,329	2,801,908	22,114,377	816,598,205
Commitments and contingencies (credit equivalent)	4,578,328	62,542,285	-	2,137,605	69,258,218
Derivatives (credit equivalent)	-	23,079,889	-	108,590	23,188,479

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, other receivables and refundable deposits.

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

32 COLLATERAL AND OFFSETTING

Following are the details of collaterals held/received by the Group and offsetting carried out as at 31 December 2023:

a) The Bank conducts Repo transactions under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) 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:

	2023		2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Held at FVOCI	**33,863,285**	**33,863,285**	22,277,519	22,277,519
Investments held at amortised cost	**96,258,476**	**90,679,744**	38,938,924	38,090,135
Total	**130,121,761**	**124,543,029**	61,216,443	60,367,654

b) The Bank has placed a margin deposit of SAR 840 million (2022: SAR 1,666 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 2023 and 31 December 2022.

d) For details of margin deposits held for the irrevocable commitments and contingencies, please refer to note 20.2 and for details of margin deposits against derivatives and repos, refer to note 11.1.

e) Securities pledged with the Group in respect of reverse repo transactions comprise of SAR 12,835 million (2022: SAR 648 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.

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33 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 (12) and for commitments and contingencies in note (20). The information on the Group's total maximum credit exposure is given in note (33.1).

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-	None	0 to 0.12%
	BBB	3	0.12% to 0.35%
Non-Investment grade	BB	4	0.35% to 2.1%
	B	4	2.1% to 12%
	CCC	3	12% to 40%
	CC to C	None	40% to 99.9%
Non-performing	Default	None	100%

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33 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.

(33.1) Maximum credit exposure

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

	2023	2022
Assets		
Due from banks and other financial institutions, net (note 5)	**34,563,457**	16,496,730
Investments (note 33.2 (a))	**239,665,292**	230,659,238
Financing and advances, net (note 7.1)	**601,527,454**	545,310,659
Other assets - margin deposits against derivatives and repos (note 11.1)	**2,774,825**	3,557,449
Total assets	**878,531,028**	796,024,076
Contingent liabilities and commitments, net	**96,748,919**	88,671,338
Derivatives - positive fair value of derivatives, net (note 12)	**21,303,650**	20,574,129
Total maximum credit exposure	**996,583,597**	905,269,543

(33.1.1) 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 20).

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33 CREDIT RISK (continued)

(33.2) 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)

	Gross carrying amount				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Due from Bank and Other financial institutions					
Investment grade	26,717,220	-	-	-	26,717,220
Non-investment grade	6,239,334	-	-	-	6,239,334
Unrated	1,608,271	-	-	-	1,608,271
Gross carrying amount	34,564,825	-	-	-	34,564,825
Financing and advances					
Investment Grade	101,012,964	2,029,802	-	-	103,042,766
Corporate	74,892,681	-	-	-	74,892,681
International	3,183,227	107,197	-	-	3,290,424
Others	22,937,056	1,922,605	-	-	24,859,661
Non-investment Grade	152,425,887	23,211,715	-	-	175,637,602
Retail	2,406,693	61,727	-	-	2,468,420
Corporate	135,959,356	20,686,881	-	-	156,646,237
International	8,251,418	929,882	-	-	9,181,300
Others	5,808,420	1,533,225	-	-	7,341,645
Unrated	319,363,059	2,969,325	243,320	-	322,575,704
Retail	315,821,245	2,929,184	243,320	-	318,993,749
Corporate	-	-	-	-	-
International	3,541,814	40,141	-	-	3,581,955
Others	-	-	-	-	-
Individually impaired	-	-	7,359,471	3,187,215	10,546,686
Retail	-	-	1,716,279	-	1,716,279
Corporate	-	-	5,224,182	3,187,215	8,411,397
International	-	-	419,010	-	419,010
Gross carrying amount	572,801,910	28,210,842	7,602,791	3,187,215	611,802,758
Debt investment securities at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	130,095,996	-	-	-	130,095,996
Investment Grade	22,044,459	-	-	-	22,044,459
Non-investment Grade	5,155,654	455,029	-	-	5,610,683
Unrated	-	-	-	-	-
Gross carrying amount	157,296,109	455,029	-	-	157,751,138
Debt investment securities at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	23,632,554	-	-	-	23,632,554
Investment Grade	50,411,804	55,039	-	-	50,466,843
Non-investment Grade	5,640,218	645,403	-	-	6,285,621
Unrated	1,529,136	-	-	-	1,529,136
Gross carrying amount	81,213,712	700,442	-	-	81,914,154
Commitment and contingencies					
Investment Grade	35,996,958	397,259	-	-	36,394,217
Non-investment Grade	52,475,102	7,230,054	894,054	4,161,337	64,760,547
Unrated	6,399,033	15,743	25,248	669	6,440,693
Total	94,871,093	7,643,056	919,302	4,162,006	107,595,457

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33 CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

a. Credit quality analysis (continued)

	Gross carrying amount				
2022	Stage 1	Stage 2	Stage 3	POCI	Total
Due from Bank and Other financial institutions					
Investment grade	9,785,934	-	-	-	9,785,934
Non-investment grade	4,394,662	-	-	-	4,394,662
Unrated	2,317,307	-	-	-	2,317,307
Gross carrying amount	16,497,903	-	-	-	16,497,903
Financing and advances					
Investment Grade	73,812,728	926,701	-	-	74,739,429
Corporate	58,463,597	-	-	-	58,463,597
International	4,023,099	43,201	-	-	4,066,300
Others	11,326,032	883,500	-	-	12,209,532
Non-investment Grade	150,147,731	21,659,770	-	-	171,807,501
Retail	1,385,594	127,302	-	-	1,512,896
Corporate	129,928,912	19,903,955	-	-	149,832,867
International	8,689,966	1,142,119	-	-	9,832,085
Others	10,143,259	486,394	-	-	10,629,653
Unrated	295,529,133	2,568,208	135,004	-	298,232,345
Retail	290,217,673	2,386,180	135,004	-	292,738,857
Corporate	-	-	-	-	-
International	2,973,342	182,028	-	-	3,155,370
Others	2,338,118	-	-	-	2,338,118
Individually impaired	-	-	8,982,525	2,956,723	11,939,248
Retail	-	-	1,372,043	22,256	1,394,299
Corporate	-	-	7,135,888	2,934,467	10,070,355
International	-	-	474,594	-	474,594
Gross carrying amount	519,489,592	25,154,679	9,117,529	2,956,723	556,718,523
Debt investment securities at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	126,344,483	-	-	-	126,344,483
Investment Grade	26,895,173	194,761	-	-	27,089,934
Non-investment Grade	3,397,802	634,101	-	-	4,031,903
Unrated	34,235	-	-	-	34,235
Gross carrying amount	156,671,693	828,862	-	-	157,500,555
Debt investment securities at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	25,209,422	-	-	-	25,209,422
Investment Grade	40,133,441	267,735	-	-	40,401,176
Non-investment Grade	5,374,658	496,792	-	-	5,871,450
Unrated	1,676,635	-	-	-	1,676,635
Gross carrying amount	72,394,156	764,527	-	-	73,158,683
Commitment and contingencies					
Investment Grade	29,367,407	3,874	-	-	29,371,281
Non-investment Grade	55,896,577	5,109,170	1,104,905	4,832,432	66,943,084
Unrated	1,769,067	477	-		1,769,544
Total	87,033,051	5,113,521	1,104,905	4,832,432	98,083,909

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33 CREDIT RISK (continued)

(33.2) 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:

2023	Held at FVIS	Held at FVOCI	Held at amortized cost	Total
Rating				
AAA	-	6,213,075	1,543,167	7,756,242
AA+	-	12,628,991	2,254,845	14,883,836
AA	7,479	3,346,780	1,719,033	5,073,292
AA-	93,550	1,900,137	2,279,715	4,273,402
A+	1,808,134	27,966,839	135,096,971	164,871,944
A	349,441	3,544,416	4,501,812	8,395,669
A-	417,978	5,443,348	2,267,546	8,128,872
BBB+	195,957	3,529,762	497,824	4,223,543
BBB and below	1,343,519	15,811,670	7,566,699	24,721,888
Unrated	1,381	1,529,136	-	1,530,517
Investments in debt instrument, net	4,217,439	81,914,154	157,727,612	243,859,205

2022	Held at FVIS	Held at FVOCI	Held at amortized cost	Total
Rating				
AAA	-	11,697,723	2,721,317	14,419,040
AA+	-	39,608	312	39,920
AA	-	3,164,386	2,342,865	5,507,251
AA-	-	1,877,388	2,337,129	4,214,517
A+	-	1,228,308	1,247,657	2,475,965
A	1,077,568	27,885,835	139,508,926	168,472,329
A-	-	2,296,938	1,030,846	3,327,784
BBB+	-	4,238,717	1,055,991	5,294,708
BBB and below	906,812	19,053,145	7,189,846	27,149,803
Unrated	169,028	1,676,635	34,235	1,879,898
Investments in debt instrument, net	2,153,408	73,158,683	157,469,124	232,781,215

Rating of BBB and below includes financial assets amounting to SR 11,896 million (2022: SR 9,903 million) which are non-investment grade.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

33 CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

a. Credit quality analysis (continued)

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

2023	Consumer & Credit Card	Corporate	International	Others	Total
Neither past due nor impaired	**316,191,276**	**225,352,591**	**15,023,286**	**32,201,306**	**588,768,459**
Past due but not impaired					
Less than 30 days	**3,493,297**	**3,029,368**	**72,148**	**-**	**6,594,813**
30-59 days	**1,262,249**	**1,688,893**	**9,265**	**-**	**2,960,407**
60-89 days	**515,347**	**1,468,066**	**948,980**	**-**	**2,932,393**
Total past due not impaired	**5,270,893**	**6,186,327**	**1,030,393**	**-**	**12,487,613**
Total performing financing and advances	**321,462,169**	**231,538,918**	**16,053,679**	**32,201,306**	**601,256,072**

2022	Consumer & Credit Card	Corporate	International	Others	Total
Neither past due nor impaired	289,294,866	202,993,355	15,828,817	25,177,303	533,294,341
Past due but not impaired					
Less than 30 days	3,359,569	1,397,142	52,092	-	4,808,803
30-59 days	1,089,365	1,685,544	39,417	-	2,814,326
60-89 days	507,953	2,220,423	1,133,429	-	3,861,805
Total past due not impaired	4,956,887	5,303,109	1,224,938	-	11,484,934
Total performing financing and advances	294,251,753	208,296,464	17,053,755	25,177,303	544,779,275

33 CREDIT RISK (continued)

(33.2) 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
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.	• Internally collected data and customer behavior – e.g. utilization of credit card facilities.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit • Requests for and granting of forbearance. • Existing and forecasted changes in business, financial and economic conditions.
• Data from credit reference agencies, press articles, changes in external credit ratings.		
• Actual and expected significant changes in the political, regulatory and technological environment of the 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.

33 CREDIT RISK (continued)

(33.2) 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 below 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 2023.

33 CREDIT RISK (continued)

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

The 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 included the following ranges of key indicators as shown below.

Economic Indicators	2023
Unemployment Rate	Upside : -3.79% Downside: 7.58%
Government Total Expenditure percent of GDP	Upside : 3.49% Downside: -6.98%
Income Velocity of Money (Non-Oil)	Upside : 3.04% Downside: -6.09%
Debt-to-GDP Ratio	Upside : 21.82% Downside: -43.63%
Government Non-Oil Revenue	Upside : 12.66% Downside: -25.32%
Nominal GDP	Upside : 4.14% Downside: -8.29%
Money Supply	Upside : 3.62% Downside: -7.24%

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 2023 ECL model		
	2024	2025	2026
Unemployment Rate	5.3%	4.9%	4.6%
Government Total Expenditure percent of GDP	37.5%	36.5%	36.3%
Income Velocity of Money (Non-Oil)	88.0%	126.4%	125.4%
Debt-to-GDP Ratio	24.2%	22.6%	23.0%
Government Non-Oil Revenue in million	431,436	438,363	448,363
Nominal GDP in million	3,857,325	3,937,324	4,082,489
Money Supply in million	2,964,826	3,217,161	3,496,963

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

33 CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

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

(v) Incorporation of forward looking information

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

2023	Loans and advances	Financial guarantees years	Letter of credit	Acceptances	Irrevocable
Gross exposure	**608,615,543**	**63,482,856**	**19,298,592**	**6,474,611**	**18,717,015**
More optimistic (Upside)	**10,122,158**	**350,467**	**2,706**	**1,703**	**1,819**
More pessimistic (Downside)	**10,500,778**	**385,381**	**4,074**	**2,298**	**3,325**
Probability weighted	**10,275,304**	**369,453**	**3,470**	**2,035**	**2,659**

33 CREDIT RISK (continued)

(33.2) 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 above.

(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.

(33.3) Incorporation of forward-looking information

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. Compared with last year, the economy has demonstrated an improvement in most of the macroeconomic indicators, which is aligned with the information used by the group for other purposes such as strategic planning and budgeting. . However, in the midst of a high inflationary and interest rate economy, the group has taken the decision to maintain the pessimistic scenario as the most likely outcome with a sustained magnitude as last year. The scenario weights are determined at a portfolio level based on the economic outlook suggested and approved by the management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and default rates including income velocity, government revenue, unemployment, etc.

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 years.

34 MARKET RISK

Market risk is the risk that changes in market prices, such as special commission 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 Group 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 special commission 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.

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34 MARKET RISK (continued)

(34.1) Market risk - Trading book (continued)

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

2023	**Foreign exchange risk**	**Special commission rate risk**	**Equity price risk**	**Overall risk**
End of year VaR	**3,820**	**17,973**	**7,766**	**29,559**
Average VaR	**5,844**	**16,669**	**9,949**	**32,462**

2022	Foreign exchange risk	Special commission rate risk	Equity price risk	Overall risk
End of year VaR	10,045	10,919	2,004	22,968
Average VaR	11,391	13,999	11,368	36,758

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

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

(34.2.1) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments.

The following table depicts the sensitivity due to reasonably possible changes in special commission rates, with other variables held constant, on the Group’s consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at 31 December 2023 and 2022 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 2023 and 2022 for the effect of assumed changes in special commission rates. 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.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

34 MARKET RISK (continued)

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

(34.2.1) Special commission rate risk (continued)

2023	**Increase / decrease in basis points**	**Sensitivity of special commission income**	**Sensitivity of equity (other reserves)**				
			Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Currency							
SAR	**± 10**	**± 51,119**	**± 14**	**± -**	**± 9,981**	**± 100,116**	**± 110,111**
USD	**± 10**	**± 24,345**	**± 43**	**± 708**	**± 38,195**	**± 168,554**	**± 207,500**

2022	Increase / decrease in basis points	Sensitivity of special commission income	Sensitivity of equity (other reserves)				
			Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Currency							
SAR	± 10	± 131,902	± -	± 15	± 5,541	± 96,976	± 102,532
USD	± 10	± 30,532	± 64	± 619	± 23,135	± 109,561	± 133,379

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

34 MARKET RISK (continued)

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

(34.2.1) Special commission rate risk (continued)

(a) Special commission 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 special commission rates on its consolidated financial position and cash flows. The table below summarizes the Group's exposure to special commission 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 special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Group's exposure to special commission rate risks:

2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	5,731,657	-	-	-	41,767,303	47,498,960
Due from banks and other financial institutions, net	15,305,848	2,138,854	509,115	-	16,609,640	34,563,457
Investments, net	41,119,499	11,814,325	56,865,361	134,060,020	25,269,749	269,128,954
- Held at FVIS	1,628,509	1,203,811	500,769	884,350	17,831,829	22,049,268
- Held at FVOCI	9,570,154	3,486,873	25,929,433	42,927,694	7,437,920	89,352,074
- Investments held at amortised cost	29,920,836	7,123,641	30,435,159	90,247,976	-	157,727,612
Financing and advances, net	145,674,346	156,079,685	150,399,617	149,266,484	107,322	601,527,454
- Consumer & Credit Card	14,630,763	55,678,061	106,347,793	143,924,585	-	320,581,202
- Corporate	125,778,716	93,254,804	9,000,996	4,820,670	-	232,855,186
- International	5,264,867	7,146,820	3,027,502	521,229	1,499	15,961,917
- Others	-	-	32,023,326	-	105,823	32,129,149
Positive fair value of derivatives, net	14,554,175	5,378,808	304,127	768,245	298,295	21,303,650
Total financial assets	222,385,525	175,411,672	208,078,220	284,094,749	84,052,309	974,022,475
Liabilities						
Due to banks and other financial institutions	190,031,746	17,407,129	4,042,887	28,442	155,426	211,665,630
Customers' deposits	184,998,241	19,587,158	1,172,662	-	384,293,001	590,051,062
- Current and call accounts	84,086,792	-	-	-	363,420,421	447,507,213
- Time	99,497,052	19,249,107	1,172,662	-	99,786	120,018,607
- Others	1,414,397	338,051	-	-	20,772,794	22,525,242
Debt securities issued	3,100,538	4,248,730	5,430,384	1,109,490	-	13,889,142
Negative fair value of derivatives, net	12,370,941	4,772,822	586,600	2,209,302	205,723	20,145,388
Total financial liabilities	390,501,466	46,015,839	11,232,533	3,347,234	384,654,150	835,751,222
On-balance sheet position gap	(168,115,941)	129,395,833	196,845,687	280,747,515	(300,601,841)	
Off-balance sheet position gap	(15,988,805)	8,906,436	11,513,451	(4,075,955)	-	
Total special commission rate sensitivity gap	(184,104,746)	138,302,269	208,359,138	276,671,560	(300,601,841)	
Cumulative special commission rate sensitivity gap	(184,104,746)	(45,802,477)	162,556,661	439,228,221	138,626,380	

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34 MARKET RISK (continued)

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

(34.2.1) Special commission rate risk (continued)

(a) Special commission rate sensitivity of assets, liabilities and off-statement of financial position items (continued)

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	573,706	-	-	-	41,037,298	41,611,004
Due from banks and other financial institutions, net	4,749,674	461,649	5,072	-	11,280,335	16,496,730
Investments, net	45,608,561	19,045,809	50,282,700	117,844,145	25,510,676	258,291,891
- Held at FVIS	5,256	263,779	1,386,701	497,672	14,863,687	17,017,095
- Held at FVOCI	7,363,440	4,503,025	22,732,352	38,559,866	10,646,989	83,805,672
- Investments held at amortised cost	38,239,865	14,279,005	26,163,647	78,786,607	-	157,469,124
Financing and advances, net	109,066,141	148,799,550	141,915,913	145,416,593	112,462	545,310,659
- Consumer & Credit Card	11,231,988	53,846,069	95,902,066	132,449,971	-	293,430,094
- Corporate	92,715,388	85,414,884	19,488,738	12,429,583	-	210,048,593
- International	5,118,765	7,188,243	3,895,294	537,039	668	16,740,009
- Others	-	2,350,354	22,629,815	-	111,794	25,091,963
Positive fair value of derivatives, net	12,286,927	4,487,380	1,960,159	1,272,298	567,365	20,574,129
Total financial assets	172,285,009	172,794,388	194,163,844	264,533,036	78,508,136	882,284,413
Liabilities						
Due to banks and other financial institutions	111,908,865	21,487,971	11,404,929	1,941,395	4,251,759	150,994,919
Customers' deposits	150,298,736	17,398,357	853,570	-	399,732,413	568,283,076
- Current and call accounts	48,520,845	404,487	-	-	378,319,920	427,245,252
- Time	98,836,209	16,956,600	853,570	-	-	116,646,379
- Others	2,941,682	37,270	-	-	21,412,493	24,391,445
Debt securities issued	2,525,433	285,861	9,152,146	1,023,736	-	12,987,176
Negative fair value of derivatives, net	12,397,133	3,625,798	1,776,638	1,170,810	449,725	19,420,104
Total financial liabilities	277,130,167	42,797,987	23,187,283	4,135,941	404,433,897	751,685,275
On-balance sheet position gap	(104,845,158)	129,996,401	170,976,561	260,397,095	(325,925,761)	
Off-balance sheet position gap	18,662,222	(1,167,767)	11,267,493	(28,761,948)	-	
Total special commission rate sensitivity gap	(86,182,936)	128,828,634	182,244,054	231,635,147	(325,925,761)	
Cumulative special commission rate sensitivity gap	(86,182,936)	42,645,698	224,889,752	456,524,899	130,599,138	

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

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

34 MARKET RISK (continued)

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

(34.2.2) 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:

	2023	2022
Currency	**Long (short)**	Long (short)
US Dollar	**292,035**	(5,234,340)
TRY	**2,730,781**	2,752,501

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 2023 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.

	2023			2022		
Currency	**Increase/ decrease in currency rate in %**	**Effect on profit**	**Effect on equity**	Increase/ decrease in currency rate in %	Effect on profit	Effect on equity
TRY	**± 10%**	**± 19,548**	**± 235,086**	± 10%	± 30,226	± 234,435

(34.2.3) 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 as FVOCI at 31 December 2023 and 31 December 2022 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:

	2023		2022	
Market index - (Tadawul)	**Increase / decrease in market prices %**	**Effect on equity (other reserves)**	Increase / decrease in market prices %	Effect on equity (other reserves)
Impact of change in market prices	**± 10%**	**± 454,271**	± 10%	± 520,164

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34 MARKET RISK (continued)

(34.3) Interest rate benchmark reform

A fundamental review and reform of major profit rate benchmarks were undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (IBOR) with an alternative Risk-Free Rate (RFR).

The Bank has considered the requirements of IASB and other necessary changes to systems, processes, related tax and accounting implications and amendments to the contractual terms of LIBOR-referenced floating-rate debt, derivatives and update of hedge designations. Further, the bank also managed the timely and comprehensive communication of the IBOR transition with the customers and assisting them in taking informed and timely decision.

During the year 2023, changes required to systems, processes and models have been implemented. New rate structures and features in the system in view of future market evolution are implemented as well and is capable to handle the alternative relevant rate transactions of the dollar and other major currencies affected by the IBOR transition. There have been communications with counterparties.

The Group has identified that the areas of most significant risk arising from the replacement of LIBOR are:

- Updating systems and processes which capture LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated;
- Mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management; and
- Updating hedge designations and models.

The Group has taken steps to manage and mitigate these risks.

The table below shows the Bank's exposure at the year end to significant IBORs subject to reforms that are yet to transition to risk free rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition to the reference rate in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

	2023		
	Non-Derivative Financial Assets	Non-Derivative Financial Liabilities	Derivatives Notional amount
LIBOR USD	**69,397,495**	**7,976,250**	**25,280,621**
LIBOR JPY	**-**	**1,560,000**	**-**
Total	**69,397,495**	**9,536,250**	**25,280,621**

35 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.

(35.1) 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 2023 and 31 December 2022 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 (35.2) below (Maturity analysis of assets and liabilities for the expected maturities). 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.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

35 LIQUIDITY RISK (continued)

(35.1) Analysis of undiscounted financial liabilities by remaining contractual maturities (continued)

Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2023						
Due to banks and other financial institutions	**2,841,313**	**168,527,306**	**23,690,333**	**13,639,921**	**8,852,380**	**217,551,253**
Customers' deposits	**470,013,747**	**104,229,208**	**20,381,200**	**4,893,792**	**36,867**	**599,554,814**
- Current and call accounts	**447,507,213**	**-**	**-**	**-**	**-**	**447,507,213**
- Time	**-**	**104,229,208**	**20,381,200**	**4,893,792**	**36,867**	**129,541,067**
- Others	**22,506,534**	**-**	**-**	**-**	**-**	**22,506,534**
Debt securities issued	**-**	**-**	**5,001,333**	**9,635,742**	**1,491,974**	**16,129,049**
Derivative financial instruments (gross contractual amounts payable)	**-**	**6,519,803**	**5,575,223**	**5,467,268**	**5,061,595**	**22,623,889**
Lease Liabilities	**-**	**67,829**	**200,595**	**890,114**	**251,653**	**1,410,191**
Total undiscounted financial liabilities	**472,855,060**	**279,344,146**	**54,848,684**	**34,526,837**	**15,694,469**	**857,269,196**

Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2022						
Due to banks and other financial institutions	4,259,271	95,455,547	25,841,401	12,085,884	7,106,618	144,748,721
Customers' deposits	451,617,313	100,899,269	17,633,641	2,546,152	33,714	572,730,089
- Current and call accounts	427,245,252	-	-	-	-	427,245,252
- Time	-	100,899,269	17,633,641	2,546,152	33,714	121,112,776
- Others	24,372,061	-	-	-	-	24,372,061
Debt securities issued	-	217,893	2,849,278	12,890,447	789,996	16,747,614
Derivative financial instruments (gross contractual amounts payable)	-	7,219,473	4,407,073	7,692,013	13,895,621	33,214,180
Lease Liabilities	-	157,251	454,987	1,472,242	413,232	2,497,712
Total undiscounted financial liabilities	455,876,584	203,949,433	51,186,380	36,686,738	22,239,181	769,938,316

The contractual maturity structure of the credit-related and commitments and contingencies are shown under note (20.2(a)).

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35 LIQUIDITY RISK (continued)

(35.2) 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. See note (35.1) above for the undiscounted financial liabilities by remaining contractual maturities.

2023	Within 3 months	3-12months	1-5 years	Over 5 years	No-fixed maturity	Total
Assets						
Cash and balances with SAMA	5,731,658	-	-	-	41,767,302	47,498,960
Due from banks and other financial institutions, net	17,006,483	14,649,190	2,907,784	-	-	34,563,457
Investments, net	14,447,786	9,673,081	78,208,608	138,511,581	28,287,898	269,128,954
- Held at FVIS	705,666	360,696	-	-	20,982,906	22,049,268
- Held at FVOCI	4,080,259	2,402,751	28,749,492	46,814,580	7,304,992	89,352,074
- Held at amortized cost	9,661,861	6,909,634	49,459,116	91,697,001	-	157,727,612
Financing and advances, net	194,454,535	102,445,507	144,664,517	159,962,895	-	601,527,454
- Consumer & Credit Card	19,504,618	36,273,224	105,291,383	159,511,977	-	320,581,202
- Corporate	152,515,344	46,183,574	34,156,268	-	-	232,855,186
- International	4,626,090	7,846,994	3,037,915	450,918	-	15,961,917
- Others	17,808,483	12,141,715	2,178,951	-	-	32,129,149
Positive fair value of derivatives, net	33,898	6,904	23,743	21,239,105	-	21,303,650
Investments in associates, net	-	-	-	-	246,049	246,049
Property, equipment and software, net	-	-	-	-	11,000,461	11,000,461
Goodwill	-	-	-	-	34,006,782	34,006,782
Intangible assets	205,070	615,209	4,033,595	1,708,374	-	6,562,248
Right of use assets, net	-	-	-	-	1,038,915	1,038,915
Other assets	-	2,548,463	-	-	7,655,774	10,204,237
Total assets	231,879,430	129,938,354	229,838,247	321,421,955	124,003,181	1,037,081,167
Liabilities						
Due to banks and other financial institutions	171,743,167	23,159,179	16,762,987	297	-	211,665,630
Customers' deposits	170,959,100	86,378,663	130,543,937	202,169,362	-	590,051,062
- Current and call accounts	76,553,315	59,687,709	109,351,291	201,914,898	-	447,507,213
- Time	92,996,183	22,574,403	4,413,677	34,344	-	120,018,607
- Others	1,409,602	4,116,551	16,778,969	220,120	-	22,525,242
Debt securities issued	985,500	4,167,325	8,306,696	357,515	72,106	13,889,142
Negative fair value of derivatives, net	55,740	5,217	20,084,431	-	-	20,145,388
Other liabilities	58,613	173,474	777,040	173,050	23,519,055	24,701,232
Total liabilities	343,802,120	113,883,858	176,475,091	202,700,224	23,591,161	860,452,454

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35 LIQUIDITY RISK (continued)

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

2022	Within 3 months	3-12months	1-5 years	Over 5 years	No-fixed maturity	Total
Assets						
Cash and balances with SAMA	573,706	-	-	-	41,037,298	41,611,004
Due from banks and other financial institutions, net	6,448,967	8,123,814	1,923,949	-	-	16,496,730
Investments, net	4,576,890	13,215,151	92,054,343	125,027,481	23,418,026	258,291,891
- Held as FVIS	8,115	927	897,768	-	16,110,285	17,017,095
- Held at FVOCI	1,541,066	3,545,361	27,606,905	43,804,599	7,307,741	83,805,672
- Held at amortized cost	3,027,709	9,668,863	63,549,670	81,222,882	-	157,469,124
Financing and advances, net	175,884,715	86,680,288	140,828,308	141,917,348	-	545,310,659
- Consumer & Credit Card	19,480,198	36,273,224	96,131,407	141,545,265	-	293,430,094
- Corporate	134,005,468	37,122,740	38,920,385	-	-	210,048,593
- International	4,590,566	8,252,713	3,524,647	372,083	-	16,740,009
- Others	17,808,483	5,031,611	2,251,869	-	-	25,091,963
Positive fair value of derivatives, net	50,988	12,217	760	20,510,164	-	20,574,129
Investments in associates, net	-	-	-	-	246,049	246,049
Property, equipment and software, net	-	-	-	-	9,993,143	9,993,143
Goodwill	-	-	-	-	34,006,782	34,006,782
Intangible assets	205,070	615,209	4,058,250	2,503,999	-	7,382,528
Right of use assets, net	-	-	-	-	1,533,960	1,533,960
Other assets	-	2,278,068	-	-	7,771,223	10,049,291
Total assets	187,740,336	110,924,747	238,865,610	289,958,992	118,006,481	945,496,166
Liabilities						
Due to banks and other financial institutions	106,631,076	28,975,635	15,388,208	-	-	150,994,919
Customers' deposits	150,677,264	82,588,372	128,488,760	206,528,680	-	568,283,076
- Current and call accounts	56,031,735	58,830,932	106,234,883	206,147,702	-	427,245,252
- Time	94,645,529	19,553,711	2,447,139	-	-	116,646,379
- Others	-	4,203,729	19,806,738	380,978	-	24,391,445
Debt securities issued	2,520,669	23,386	10,443,121	-	-	12,987,176
Negative fair value of derivatives, net	2,617,395	6,975	16,795,734	-	-	19,420,104
Other liabilities	80,057	292,135	847,016	474,149	25,339,903	27,033,260
Total liabilities	262,526,461	111,886,503	171,962,839	207,002,829	25,339,903	778,718,535

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

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

2023	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
Assets							
Cash and balances with SAMA	45,966,556	17,540	-	831,966	-	682,898	47,498,960
Due from banks and other financial institutions, net	11,900,498	4,306,027	386,322	5,851,732	11,540,809	578,069	34,563,457
Investments, net	175,842,162	14,703,316	9,845,043	6,360,276	44,033,698	18,344,459	269,128,954
- Held at FVIS	3,320,557	323,093	1,561,888	1,066,511	15,185,703	591,516	22,049,268
- Held at FVOCI	34,474,759	8,571,059	6,570,853	3,003,520	22,065,776	14,666,107	89,352,074
- Held at amortised cost	138,046,846	5,809,164	1,712,302	2,290,245	6,782,219	3,086,836	157,727,612
Financing and advances, net	538,838,320	30,785,876	8,010,322	15,263,849	4,428,631	4,200,456	601,527,454
- Consumer & Credit Card	320,581,202	-	-	-	-	-	320,581,202
- Corporate	207,695,243	14,087,649	5,831,001	314,917	4,052,736	873,640	232,855,186
- International	-	-	-	14,948,932	-	1,012,985	15,961,917
- Others	10,561,875	16,698,227	2,179,321	-	375,895	2,313,831	32,129,149
Positive fair value of derivatives, net	3,046,012	1,741,745	16,234,924	42,832	116,489	121,648	21,303,650
Investments in associates, net	243,868	-	-	-	-	2,181	246,049
Total	775,837,416	51,554,504	34,476,611	28,350,655	60,119,627	23,929,711	974,268,524
Liabilities							
Due to banks and other financial institutions	94,814,495	30,392,984	51,261,165	1,053,695	2,824,734	31,318,557	211,665,630
Customers' deposits	523,223,846	4,504,268	213,851	23,842,166	119,214	38,147,717	590,051,062
- Current and call accounts	408,374,501	1,318,914	5,617	7,219,694	119,214	30,469,273	447,507,213
- Time	94,082,342	3,184,283	208,234	15,212,871	-	7,330,877	120,018,607
- Others	20,767,003	1,071	-	1,409,601	-	347,567	22,525,242
Debt securities issued	985,500	-	12,818,175	13,361	-	72,106	13,889,142
Negative fair value of derivatives, net	4,520,780	2,433,762	13,002,674	60,957	-	127,215	20,145,388
Total	623,544,621	37,331,014	77,295,865	24,970,179	2,943,948	69,665,595	835,751,222
Commitments and contingencies (note 20.2)	83,858,709	7,984,004	3,127,603	5,227,684	-	7,397,457	107,595,457
- Letters of credit	13,366,967	1,004,119	1,518,775	1,363,259	-	2,042,002	19,295,122
- Guarantees	50,400,397	2,815,395	1,229,815	3,664,693	-	5,003,103	63,113,403
- Acceptances	3,730,739	1,810,740	379,013	199,732	-	352,352	6,472,576
- Irrevocable commitments to extend credit	16,360,606	2,353,750	-	-	-	-	18,714,356
Credit exposure (credit equivalent) (note 31.2):							
Commitments and contingencies	60,311,865	6,565,618	1,437,708	3,322,847	-	4,515,392	76,153,430
Derivatives	5,819,906	1,958,869	7,112,253	198,390	236,319	73,183	15,398,920

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

(36.1) 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):

2022	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
Assets							
Cash and balances with SAMA	40,350,957	18,197	-	525,325	-	716,525	41,611,004
Due from banks and other financial institutions, net	987,697	1,118,802	982,749	5,080,187	6,689,236	1,638,059	16,496,730
Investments, net	178,770,616	17,337,138	11,588,940	6,515,780	25,995,151	18,084,266	258,291,891
- Held at FVIS	3,183,244	67,919	1,905,942	906,916	9,729,372	1,223,702	17,017,095
- Held at FVOCI	35,349,362	11,289,691	7,349,848	4,197,757	11,870,902	13,748,112	83,805,672
- Held at amortised cost	140,238,010	5,979,528	2,333,150	1,411,107	4,394,877	3,112,452	157,469,124
Financing and advances, net	491,431,413	26,191,997	3,167,209	16,813,119	4,542,065	3,164,856	545,310,659
- Consumer & Credit Card	293,430,094	-	-	-	-	-	293,430,094
- Corporate	189,280,407	12,659,356	3,167,209	399,556	4,542,065	-	210,048,593
- International	-	-	-	15,416,541	-	1,323,468	16,740,009
- Others	8,720,912	13,532,641	-	997,022	-	1,841,388	25,091,963
Positive fair value of derivatives, net	2,963,436	1,836,726	15,587,333	63,965	27,468	95,201	20,574,129
Investments in associates, net	243,868	-	-	-	-	2,181	246,049
Total	714,747,987	46,502,860	31,326,231	28,998,376	37,253,920	23,701,088	882,530,462
Liabilities							
Due to banks and other financial institutions	89,585,701	19,892,700	5,483,793	1,582,170	188,782	34,261,773	150,994,919
Customers' deposits	535,459,608	1,235	5,022,046	23,242,558	400,782	4,156,847	568,283,076
- Current and call accounts	416,777,428	-	651,894	8,640,726	400,782	774,422	427,245,252
- Time	97,624,117	-	4,203,134	11,984,436	-	2,834,692	116,646,379
- Others	21,058,063	1,235	167,018	2,617,396	-	547,733	24,391,445
Debt securities issued	1,200,883	-	11,581,680	113,832	-	90,781	12,987,176
Negative fair value of derivatives, net	4,997,631	(197,808)	14,464,543	85,414	-	70,324	19,420,104
Total	631,243,823	19,696,127	36,552,062	25,023,974	589,564	38,579,725	751,685,275
Commitments and contingencies (note 20.2)	76,619,356	8,182,106	1,509,609	4,952,427	-	6,820,411	98,083,909
- Letters of credit	10,186,180	1,276,890	806,070	1,763,597	-	2,038,480	16,071,217
- Guarantees	47,720,852	2,827,976	703,539	3,026,455	-	4,444,545	58,723,367
- Acceptances	3,449,628	1,375,684	-	162,375	-	337,386	5,325,073
- Irrevocable commitments to extend credit	15,262,696	2,701,556	-	-	-	-	17,964,252
Credit exposure (credit equivalent) (note 31.2):							
Commitments and contingencies	55,328,368	6,173,536	623,891	2,847,791	-	4,284,632	69,258,218
Derivatives	6,501,264	4,482,926	11,756,912	108,590	145,832	192,955	23,188,479

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

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

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

2023	**KSA, GCC and Middle East**	**Turkey and Pakistan**	**Total**
Non performing financing and advances	**6,940,461**	**419,010**	**7,359,471**
ECL allowances	**(9,764,532)**	**(510,772)**	**(10,275,304)**

2022	KSA, GCC and Middle East	Turkey and Pakistan	Total
Non performing financing and advances	8,507,931	474,594	8,982,525
ECL allowances	(10,619,524)	(788,340)	(11,407,864)

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37 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:

	Level 1	Level 2	Level 3	Total
2023				
Financial assets				
Derivative financial instruments				
Held for trading	-	20,621,398	-	20,621,398
Held as cash flow hedges	-	498,266	-	498,266
Held as fair value hedges	-	183,986	-	183,986
	-	21,303,650	-	21,303,650
Financial assets held at FVIS				
Fixed rate debt securities	1,902,017	2,292,899	-	4,194,916
Floating rate securities	22,523	-	-	22,523
Equities	391,364	-	451,575	842,939
Mutual funds, hedge funds and others	356,568	6,463,971	10,168,351	16,988,890
	2,672,472	8,756,870	10,619,926	22,049,268
Financial assets held at FVOCI				
Fixed rate debt securities	46,018,030	19,625,571	230,549	65,874,150
Floating rate securities	6,355,946	9,223,398	460,660	16,040,004
Equities	7,335,956	6,280	95,684	7,437,920
Mutual funds, hedge funds and others	-	-	-	-
	59,709,932	28,855,249	786,893	89,352,074
Financial assets held at amortized cost				
Investments held at amortized cost, net - fair value hedged (note 6.7 (a))	-	1,606,345	-	1,606,345
	-	1,606,345	-	1,606,345
Total financial assets	62,382,404	60,522,114	11,406,819	134,311,337
Financial liabilities				
Derivative financial instruments				
Held for trading	-	19,109,113	-	19,109,113
Held as cash flow hedges	-	434,142	-	434,142
Held as fair value hedges	-	602,133	-	602,133
	-	20,145,388	-	20,145,388
Total financial liabilities	-	20,145,388	-	20,145,388

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

a. Fair value information for financial instruments at fair value (continued)

	Level 1	Level 2	Level 3	Total
2022				
Financial assets				
Derivative financial instruments				
Held for trading	-	18,953,898	-	18,953,898
Held as cash flow hedges	-	1,318,713	-	1,318,713
Held as fair value hedges	-	301,518	-	301,518
	-	20,574,129	-	20,574,129
Financial assets held at FVIS				
Fixed rate debt securities	-	2,153,408	-	2,153,408
Floating rate securities	-	-	-	-
Equities	183,630	(46)	305,429	489,013
Mutual funds, hedge funds and others	334,942	5,442,752	8,596,980	14,374,674
	518,572	7,596,114	8,902,409	17,017,095
Financial assets held at FVOCI				
Fixed rate debt securities	33,745,081	19,000,169	-	52,745,250
Floating rate securities	9,314,056	11,099,377	-	20,413,433
Equities	10,552,823	(15,207)	109,373	10,646,989
Mutual funds, hedge funds and others	-	-	-	-
	53,611,960	30,084,339	109,373	83,805,672
Financial assets held at amortized cost				
Investments held at amortized cost, net - fair value hedged (note 6.7 (a))	-	3,512,644	-	3,512,644
	-	3,512,644	-	3,512,644
Total financial assets	54,130,532	61,767,226	9,011,782	124,909,540
Financial liabilities				
Derivative financial instruments				
Held for trading	-	18,010,596	-	18,010,596
Held as cash flow hedges	-	442,882	-	442,882
Held as fair value hedges	-	966,626	-	966,626
	-	19,420,104	-	19,420,104
Total financial liabilities	-	19,420,104	-	19,420,104

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

37 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 2023 on a business as usual basis applying the guidance of IFRS 13 "Fair Value Measurement", was 2.3% lower than the corresponding book value (2022: 3.3% lower than the corresponding book value). The fair value of Group's financing and advances is categorized within Level 2 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 and other financial institutions, customers' deposits and debt securities issued at 31 December 2023 and 31 December 2022 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 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

There were no transfers between level 1 and level 2 during 31 December 2023 (31 December 2022: Nil).

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.

Movement of level 3 is as follows:

	2023			2022		
	Financial asset held at FVIS	**Financial asset held at FVOCI**	**Financial liabilities held at FVIS**	Financial asset held at FVIS	Financial asset held at FVOCI	Financial liabilities held at FVIS
Balance at beginning of the year	**8,902,407**	**109,375**	**-**	7,494,972	134,884	-
Total gains/(losses), realised and unrealised, in the consolidated statement of income	**(34,062)**	**43,548**	**-**	(279,479)	(25,509)	-
Purchases	**2,324,923**	**765,222**	**-**	3,190,488	-	-
Sales/Maturities	**(573,344)**	**(131,250)**	**-**	(1,503,574)	-	-
Others	**-**	**-**	**-**	-	-	-
Balance at end of the year	**10,619,924**	**786,895**	**-**	8,902,407	109,375	-

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 2023 and the impact of the sensitivity is not material.

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38 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by the limits set by the Banking Control Law and the regulations issued by SAMA and approved by the board of directors and management and transactions are carried out on terms similar to those with external customers / parties. Related party balances include the balances resulting from transactions with Governmental shareholders. The ultimate controlling party is Public Investment fund "PIF".

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.

(38.1) The balances as at December 31 resulting from such transactions included in the (consolidated) financial statements are as follows:

	2023	2022
Major shareholder and their affiliates with significant influence:		
Customers' deposits	**16,184,161**	23,803,223
Financing and advances	**27,181,114**	21,787,032
Commitments and contingencies	**8,290,117**	3,523,236
Directors, key management personnel and other companies refer to note (38.1.1):		
Financing and advances	**16,019,917**	13,871,748
Customers' deposits	**1,561,480**	3,882,451
Commitments and contingencies	**1,123,671**	1,283,071
End of service benefit	**53,690**	38,782
Bank's mutual funds and employees' post-employment benefit plan		
Customers' deposits	**426**	348

(38.1.1) Directors, key management personnel and other companies :

The above table includes certain balances amounting to SAR 15.9 billion financing and advances pertaining to entities having common directorships or common key management personnel (in accordance with SAMA regulations).

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

38 RELATED PARTY TRANSACTIONS (continued)

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

	2023	2022
Major shareholder and their affiliates with significant influence:		
Special commission income	**1,719,212**	218,249
Special commission expense	**1,822,436**	302,717
Fees and commission income and expense, net	**140,122**	135,597
Directors, key management personnel and other Companies:		
Special commission income	**1,688,805**	385,878
Special commission expense	**924,971**	40,479
Fees and commission income and expense, net	**584,366**	66,397
End of service benefit obligation	**27,850**	15,703
Bank's mutual funds:		
Special commission expense	**147**	23

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

	2023	2022
Short-term employee benefits	**78,900**	51,534
Directors' remuneration	**17,645**	16,840
Other long-term benefits	**76,100**	61,483
Share-based payments	**24,930**	20,959

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 39).

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39 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 2023 and 2022, and the forms of such payments:

	2023			2022		
Categories of employees	**Number of employees**	**Fixed compensation (on accrual basis)**	**Variable compensation (on cash basis)**	Number of employees	Fixed compensation (on accrual basis)	Variable compensation (on cash basis)
Senior Executives	**21**	**37,587**	**135,643**	20	44,642	84,729
Employees engaged in risk taking activities	**881**	**409,743**	**263,678**	843	390,477	272,000
Employees engaged in control functions	**742**	**269,569**	**95,111**	696	262,113	101,455
Other employees	**6,953**	**1,405,296**	**297,976**	7,281	1,495,696	299,379
Other employee related benefits	**-**	**637,400**	**-**	-	477,326	-
Subsidiaries	**7,487**	**992,934**	**345,415**	7,066	721,411	266,444
Group total	**16,084**	**3,752,529**	**1,137,823**	15,906	3,391,665	1,024,007

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.

The Group's variable compensation recognised as expense under salaries and other employee-related expenses in the consolidated statement of income for 2023 is SAR 909 million (2022: SAR 919 million).

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

40 CAPITAL ADEQUACY

Capital adequacy ratio

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

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2021 and 2022 effective from 31 March 2021 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The impact of these revised transitional arrangements to the Group's Tier 1 and Tier 1 + 2 ratio have been an improvement of 12 bps for the year ended December 31, 2023.

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

The current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from 01 January 2023, while the prior period is based on Basel III regulations.

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

	2023	2022
Risk Weighted Assets		
Credit risk	**646,191,640**	619,906,133
Operational risk	**37,283,015**	61,288,606
Market risk	**20,381,430**	14,887,480
Total Pillar-1 - risk weighted assets	**703,856,085**	696,082,219
Common Equity Tier 1 Capital (CET1)	**121,992,919**	111,851,304
Core capital (Tier 1)	**136,385,218**	127,338,804
Supplementary capital (Tier 2)	**5,351,740**	5,212,922
Core and supplementary capital (Tier 1 and Tier 2)	**141,736,958**	132,551,726
Capital Adequacy Ratio (Pillar 1):-		
Common Equity Tier 1 Capital (CET1) ratio	**17.3%**	16.1%
Core capital (Tier 1 ratio)	**19.4%**	18.3%
Core and supplementary capital (Tier 1 and Tier 2 ratios)	**20.1%**	19.0%

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

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

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41 GROUP'S INTEREST IN OTHER ENTITES

(41.1) 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 SAR 28,801 million and SAR 26,808 million, respectively (2022: SAR 28,938 million and SAR 26,739 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).

	2023	2022
Summarised statement of financial position		
Financing and advances, net	**14,948,930**	15,416,541
Other assets	**13,851,873**	13,521,664
Liabilities	**26,808,049**	26,739,373
Net assets	**1,992,754**	2,198,832
Carrying amount of NCI	**657,011**	724,955
Summarised statement of income		
Total operating income	**2,848,877**	2,380,454
Net income	**291,631**	450,935
Total comprehensive income/(loss)	**(1,077,040)**	112,050
Total comprehensive income/(loss) attributable to NCI	**(355,100)**	36,943
Summarised cash flow statement		
Net cash from/(used in) operating activities	**2,971,540**	(339,773)
Net cash from/(used in) investing activities	**(1,121,717)**	(498,814)
Net cash from/(used in) financing activities	**(64,508)**	(82,723)
Net increase/(decrease) in cash and cash equivalents	**1,785,315**	(921,310)

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41 GROUP'S INTEREST IN OTHER ENTITES (continued)

(41.2) 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 fund, realised via periodic distributions and eventual exit at the end of the life of the fund. 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.

	2023	2022
Hedge funds	**383,906**	372,799
Private equity funds	**307**	19,845
Total	**384,213**	392,644

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. At 31 December 2023 and 2022, the Group holds an interest in all structured entities it has sponsored.

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42 GOODWILL AND OTHER INTANGIBLES

(42.1) Intangibles amounts arising from business combination

	2023	2022
Goodwill	**34,006,782**	34,006,782
Other intangibles	**6,562,248**	7,382,528
Total	**40,569,030**	41,389,310

2023	**Goodwill**	**Other Intangible: Core Deposit Intangible**	**Other Intangible: Customer relationships, brand, and trademark**	**Total**
Cost:				
As at 1 January 2023	**34,006,782**	**7,852,287**	**1,064,071**	**42,923,140**
As at 31 December	**34,006,782**	**7,852,287**	**1,064,071**	**42,923,140**
Accumulated amortisation:				
As at 1 January 2023	**-**	**1,249,227**	**284,603**	**1,533,830**
Charge for the year	**-**	**713,844**	**106,436**	**820,280**
As at 31 December	**-**	**1,963,071**	**391,039**	**2,354,110**
Net book value:				
As at 31 December	**34,006,782**	**5,889,216**	**673,032**	**40,569,030**

2022	Goodwill	Other Intangible: Core Deposit Intangible	Other Intangible: Customer relationships, brand, and trademark	Total
Cost:				
As at 1 January 2022	34,006,782	7,852,287	1,064,071	42,923,140
As at 31 December	34,006,782	7,852,287	1,064,071	42,923,140
Accumulated amortisation:				
As at 1 January 2022	-	535,383	153,582	688,965
Charge for the year	-	713,844	131,021	844,865
As at 31 December	-	1,249,227	284,603	1,533,830
Net book value:				
As at 31 December	34,006,782	6,603,060	779,468	41,389,310

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42 GOODWILL AND OTHER INTANGIBLES (continued)

(42.2) Impairment testing of goodwill

In accordance with the requirements of International Accounting Standard Impairment of Assets (IAS 36), the Bank has performed an annual impairment test as at 31 December 2023 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 and International CGU's.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets 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 value in use and employs a Discounted Cash Flow model, which reflects the specifics of the banking business and its regulatory environment.

The model calculates the present value of the estimated future earnings 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 value-in-use calculations under CGUs to which the recoverable amount is most sensitive were:

a) Growth rates

The long term growth rate 4.5% (2022: 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") 11.00% (2022: 11.00%).

c) Projected GDP and local inflation rates

Assumptions are based on published industry research.

For the years ended 31 December 2023 and 2022 (Amounts in SAR'000)

43 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 SAR 264,216 million (2022: SAR 248,495 million).

44 REAL ESTATE DEVELOPMENT FUND (REDF)

During the year, the Real Estate Development Fund (REDF) launched a new programme in line with their mandate to facilitate home ownership by eligible Saudi citizens in the Kingdom of Saudi Arabia. The Bank signed an agreement with REDF to become a party to this programme in September 2023, and received an advance payment of SAR 1,000 million for executing a fixed number of discounted real estate financing contracts. In accordance with the requirements of IFRS 9, the programme will result in a fair value loss being booked on origination of these mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the amount received from REDF qualifies as a government grant under IAS 20, which will be recognized as income on a systematic basis.

45 COMPARATIVE FIGURES

Certain insignificant prior period figures have been reclassified to conform to current period presentation.

46 BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved by the Board of Directors on 05 February 2024, corresponding to 24 Rajab 1445H.

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Ahmad A. Aldhabi	**Talal A. Alkhereiji**	**Saeed M. Al-Ghamdi**
Group Chief Financial Officer	**Acting Chief Executive Officer**	**Chairman**