BANK ALJAZIRA
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2024

PricewaterhouseCoopers

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Independent Auditors' Report
To the Shareholders of Bank AlJazira (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), 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 Matter

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

Key Audit Matter (continued)

Key Audit Matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing **As at 31 December, 2024, the gross financing of the Group was Saudi Riyals ("SAR") 99,441 million (2023: SAR 83,573 million) against which an expected credit loss ("ECL") allowance of SAR 2,529 million (2023: SAR 2,793 million) was maintained.** **We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:** **1. Categorisation of financing 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.** **The Group has also applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR.** **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 the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.**	▪ We obtained and updated our understanding of management's assessment of ECL allowance against financing including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year, if any. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. ▪ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant "IT" general and application controls) over: • the ECL model, including governance over the model, and any model updates performed during the period, including approval of the respective oversight committee of key inputs, assumptions and post model adjustments, if any; • the classification of financing into stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications supporting the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of customers, we 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. We also assessed that these were consistent with the ratings used as input in the ECL model; and • management's computation of ECL;

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

Key Audit Matter (continued)

Key Audit Matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing (continued) **3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model.** **Application of these judgments and estimates results in greater estimation uncertainty and the associated audit risk around ECL calculation as at 31 December 2024.** ***Refer to the material accounting policies note 3 (c)(v) for the impairment of financial assets; note 2 (c)(i) 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 which contains the disclosure of impairment against financing; and note 32.2 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.***	▪ For selected customers, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. ▪ 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 exposures, we assessed the appropriateness of the staging classification of the Group's financing portfolio. ▪ We assessed the governance process implemented and the qualitative factors considered 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 supporting the ECL calculations as at 31 December 2024. ▪ Where required, we involved our experts to assist us in reviewing model calculations, evaluating interrelated inputs (including EADs, PDs and LGDs) and assessing reasonableness of assumptions used in the ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays. ▪ We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report to the Shareholders of Bank AlJazira (A Saudi Joint Stock Company) (continued)

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

Other Information included in the Group's 2024 Annual Report

Management is responsible for the other information in the Group's annual report. Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. 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.

Independent Auditors' Report to the Shareholders of Bank AlJazira (A Saudi Joint Stock Company) (continued)

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report to the Shareholders of Bank AlJazira (A Saudi Joint Stock Company) (continued)

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

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

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 provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

PricewaterhouseCoopers **Certified Public Accountants**	**Ernst & Young Professional Services**
Waleed A. Alhidiri Certified Public Accountant License Number 559	Hussain Saleh Asiri Certified Public Accountant License Number 414

11 Sha'ban 1446H
10 February 2025

برايس وترهاوس كوبرز
محاسبون قانونيون
س.ت : ١٠١٠٣٧١٦٢٢
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C.R.: 1010371622

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شركة ارنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Bank AlJazira
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND 2023

	Notes	2024 SR'000	2023 SR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	**6,118,369**	5,840,693
Due from banks and other financial institutions, net	5	**6,697,117**	5,691,774
Investments, net	6	**36,193,723**	34,442,290
Positive fair value of Shari'ah compliant derivatives	11	**151,737**	222,508
Financing, net	7	**96,912,496**	80,780,901
Other assets	8	**1,111,117**	719,449
Investment in an associate	9	**323,716**	243,011
Other real estate, net	7(h)	**139,717**	498,986
Property, equipment, intangibles and right of use assets, net	10	**1,258,076**	1,111,165
Total assets		**148,906,068**	129,550,777
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks, Saudi Central Bank and other financial institutions	12	**19,309,333**	14,985,733
Customers' deposits	13	**108,186,514**	94,054,401
Negative fair value of Shari'ah compliant derivatives	11	**164,999**	147,061
Subordinated Sukuk	14	**2,005,918**	2,004,346
Other liabilities	15	**2,037,607**	1,943,742
Total liabilities		**131,704,371**	113,135,283
EQUITY			
Share capital	16	**10,250,000**	8,200,000
Statutory reserve	17	**1,707,276**	3,449,537
Other reserves	18	**(1,093,466)**	(844,399)
Retained earnings		**2,462,887**	1,735,356
Equity attributable to ordinary shareholders of the Bank		**13,326,697**	12,540,494
Tier 1 Sukuk	19	**3,875,000**	3,875,000
Total equity		**17,201,697**	16,415,494
Total liabilities and equity		**148,906,068**	129,550,777

Engr. Abdulmajeed Al-Sultan Chairman	Naif Al Abdulkareem CEO and Managing Director	Hani Noori Chief Financial Officer

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

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Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	Notes	2024 SR'000	2023 SR'000
Income from investments and financing	21	7,978,793	6,264,694
Return on deposits and financial liabilities	21	(5,344,371)	(3,889,894)
Net financing and investment income		2,634,422	2,374,800
Fees from banking services – income	22	1,085,666	968,521
Fees from banking services - expense	22	(481,605)	(420,477)
Fees from banking services, net		604,061	548,044
Exchange income, net		224,066	208,792
Net gain / (loss) on fair value through statement of income (FVIS) financial instruments	23	44,641	(3,447)
Dividend income	24	192,681	153,352
Net gains on derecognition of financial assets at fair value through other comprehensive income (FVOCI) – debt		3,457	3,604
Net (loss) / gain on derecognition of financial assets at amortised cost		(6,464)	8,590
Other operating income	25	82,533	40,917
Total operating income		3,779,397	3,334,652
Salaries and employee-related expenses	38	1,126,100	1,051,876
Rent and premises-related expenses		57,861	53,834
Depreciation and amortisation	10	183,815	182,119
Other general and administrative expenses	26	702,694	635,589
Other operating expenses		46,320	17,386
Total operating expenses before impairment charge		2,116,790	1,940,804
Impairment charge for financing and other financial assets, net	7(f)	317,460	229,063
Impairment reversal for other real estate		(42,571)	-
Total operating expenses		2,391,679	2,169,867
Net operating income		1,387,718	1,164,785
Share in net income of an associate	9	16,901	16,066
Net income for the year before zakat and income tax		1,404,619	1,180,851
Zakat and income tax:			
Zakat	28	(165,281)	(151,387)
Income tax	28	(8,384)	(9,492)
Net income for the year		1,230,954	1,019,972
Basic and diluted earnings per share (expressed in SR per share) – restated	27	1.01	0.86

Engr. Abdulmajeed Al-Sultan Chairman	Naif Al Abdulkareem CEO and Managing Director	Hani Noori Chief Financial Officer

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

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Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	Notes	2024 SR'000	2023 SR'000
Net income for the year		1,230,954	1,019,972
Other comprehensive loss:			
Items that will be reclassified to consolidated statement of income in subsequent years:			
Cash flow hedges:			
- Effective portion of change in the fair value	18	**17,178**	(41,828)
- Net amount reclassified to consolidated statement of income	18	**(10,149)**	(117)
Net changes in fair value of investments classified as at FVOCI-debt	18	(328,367)	(70,379)
Items that will not be reclassified to consolidated statement of income in subsequent years:			
Net changes in fair value of investments classified as at FVOCI-equity	18	**89,115**	22,474
Re-measurement (losses) / gains on employee benefit obligation	18	**(17,685)**	7,076
Share in other comprehensive income of an associate		984	9,833
Total other comprehensive loss for the year		**(248,924)**	(72,941)
Total comprehensive income for the year		**982,030**	947,031

Engr. Abdulmajeed Al-Sultan Chairman	Naif Al Abdulkareem CEO and Managing Director	Hani Noori Chief Financial Officer

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

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Bank AlJazira
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total Equity SR'000
2024								
Balance at January 1, 2024		8,200,000	3,449,537	(844,399)	1,735,356	12,540,494	3,875,000	16,415,494
Net income for the year		-		-	1,230,954	1,230,954	-	1,230,954
Other comprehensive loss for the year		-	-	(248,924)	-	(248,924)	-	(248,924)
Transfers to retained earnings on disposal of FVOCI equity investments	18	-	-	(143)	143	-	-	-
Total comprehensive income for the year		-	-	(249,067)	1,231,097	982,030	-	982,030
Issue of bonus shares	16	2,050,000	(2,050,000)	-	-	-	-	-
Transfer to statutory reserve	17	-	307,739	-	(307,739)	-	-	-
Tier 1 Sukuk related costs		-	-		(195,827)	(195,827)	-	(195,827)
Balance at December 31, 2024		10,250,000	1,707,276	(1,093,466)	2,462,887	13,326,697	3,875,000	17,201,697

	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total Equity SR'000
2023								
Balance at January 1, 2023		8,200,000	3,194,545	(755,297)	1,094,793	11,734,041	1,875,000	13,609,041
Net income for the year		-	-	-	1,019,972	1,019,972	-	1,019,972
Other comprehensive loss for the year		-	-	(72,941)	-	(72,941)	-	(72,941)
Transfers to retained earnings on disposal of FVOCI equity investments	18	-	-	(16,161)	16,161	-	-	-
Total comprehensive income for the year		-	-	(89,102)	1,036,133	947,031	-	947,031
Transfer to statutory reserve	17	-	254,992	-	(254,992)	-	-	-
Tier 1 Sukuk issued	19	-	-	-	-	-	2,000,000	2,000,000
Tier 1 Sukuk issuance cost		-	-	-	(2,812)	(2,812)	-	(2,812)
Tier 1 Sukuk related costs		-	-	-	(137,766)	(137,766)	-	(137,766)
Balance at December 31, 2023		8,200,000	3,449,537	(844,399)	1,735,356	12,540,494	3,875,000	16,415,494

Engr. Abdulmajeed Al-Sultan
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Chief Financial Officer

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

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	Notes	2024 SR'000	2023 SR'000
Net income for the year before zakat and income tax		1,404,619	1,180,851
OPERATING ACTIVITIES			
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Net gain on FVIS financial instruments		(42,915)	(28,787)
Depreciation and amortisation	10	183,815	182,119
Dividend income	24	(151,499)	(103,008)
Loss / (gain) on investments held at amortised cost and FVOCI, net		3,007	(12,194)
Net loss / (gain) on disposal of property and equipment		305	(18,239)
Provision for end of service benefit obligations	30	35,839	46,454
Impairment charge for financing and other financial assets, net	7(f)	317,460	229,063
Reversal of impairment charge for other real estate		(42,571)	(736)
Share in net income of an associate	9	(16,901)	(16,066)
Return on subordinated sukuk		157,645	151,536
Operating income before changes in operating assets and liabilities		1,848,804	1,610,993
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(756,321)	(20,123)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(925,785)	(3,198,430)
Investments held at FVIS		(267,575)	(294,607)
Positive fair value of Shari'ah compliant derivatives		70,771	90,134
Financing		(16,426,744)	(10,415,183)
Other real estate		401,840	7,535
Other assets		(391,668)	(138,410)
Net increase / (decrease in) operating liabilities:			
Due to banks and other financial institutions		4,323,600	2,869,046
Customers' deposits		14,132,113	8,031,562
Negative fair value of Shari'ah compliant derivatives		17,938	(51,945)
Other liabilities		118,606	128,369
		2,145,579	(1,381,059)
Zakat and income tax paid		(191,447)	(264,423)
End of service benefits paid	30	(37,157)	(38,122)
Net cash generated from / (used in) operating activities		1,916,975	(1,683,604)
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments held at amortised cost and FVOCI		4,226,697	7,019,001
Purchase of investments held at amortised cost and FVOCI		(5,910,158)	(6,531,773)
Dividend received		151,499	103,008
Additional investment in an associate	9	(76,270)	-
Dividend received from an associate	9	6,549	-
Acquisition of property and equipment	10	(252,641)	(203,972)
Proceeds from sale of property and equipment		18	56,806
Net cash (used in) / generated from investing activities		(1,854,306)	443,070
FINANCING ACTIVITIES			
Issue of Tier 1 Sukuk	19	-	2,000,000
Payment of sukuk related transaction costs			(3,996)
Payment of return on Tier 1 and Tier 2 sukuks		(359,508)	(284,177)
Dividends paid		(3,676)	(120)
Payment for principal portion of lease liabilities		(97,960)	(86,133)
Net cash (used in) / generated from financing activities		(461,144)	1,625,574

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

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023 (continued)

	Notes	2024 SR'000	2023 SR'000
Net change in cash and cash equivalents		(398,475)	385,040
Cash and cash equivalents at the beginning of the year		2,722,860	2,337,820
Cash and cash equivalents at the end of the year	29	**2,324,385**	2,722,860
Income from investments and financing received during the year		**7,729,120**	5,712,036
Return on deposits and financial liabilities paid during the year		**5,313,334**	3,619,707
Supplemental non-cash information			
Net changes in fair value of cash flow hedges and transfers to the consolidated statement of income		7,029	(41,945)

Engr. Abdulmajeed Al-Sultan
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Chief Financial Officer

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

1. GENERAL

These financial statements comprise the financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated Jumad Al-Thani 12, 1395H (June 21, 1975). The Bank commenced its business on Shawwal 16, 1396H (October 9, 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia under commercial registration number 4030010523 dated Rajab 29, 1396H (July 27, 1976) issued in Jeddah. The Bank operates through its 73 branches (2023: 75 branches) and 38 Fawri Remittance Centres (2023: 52 Fawri Remittance Centres) in the Kingdom of Saudi Arabia and employed 2,326 staff as of December 31, 2024 (2023: 2,267 staff). The Bank's Head Office is located at the following address:

Bank AlJazira
7724 King Abdulaziz Road - Al-Shatea District
Jeddah 23513 - 3551
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-interest based) banking products and services comprising of Murabaha, Istisna'a, Ijarah, Tawaraq, Musharaka, Wa'ad Fx and Sukuk which are approved and supervised by an independent Shari'ah Board established by the Bank. The Bank's shares are listed on Saudi Exchange (Tadawul) in the Kingdom of Saudi Arabia.

The details of the Bank's subsidiaries are as follows:

	Country of incorporation	**Nature of business**	**Ownership (direct and indirect) December 31, 2024**	Ownership (direct and indirect) December 31, 2023
Subsidiaries				
AlJazira Capital Company	Kingdom of Saudi Arabia	Brokerage, margin financing and asset management	100%	100%
Aman Development and Real Estate Investment Company	Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	100%	100%
Aman Insurance Agency Company (under liquidation – note (a) below)	Kingdom of Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	100%	100%
AlJazira Securities Limited	Cayman Islands	Carry out Shari'ah compliant derivative and capital market transactions	100%	100%
BAJ Sukuk Tier 1 Limited	Cayman Islands	Trustee for issuance of Tier 1 capital certificates	100%	100%

1. GENERAL (continued)

a) During financial year 2021, Aman Insurance Agency Company (the Company) applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was not renewed, as SAMA had issued rules governing bancassurance activities during May 2020 which require the banks to carry out Bancassurance business directly. This, as a result, restricted the ability of the Company to carry out business activities and therefore, management of the Company decided to initiate the winding up procedures which are in process as at 31 December 2024.

b) The Group invests in structured entities with the objective to resell the investment in a short period after the establishment. Structured entities are consolidated when the relationship between the Group and the structured entity indicates that the Group has power over the relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure. In other cases, the Group may sponsor or have exposure to such an entity but not consolidate the entities.

   As at 31 December 2024, the Group has a substantial ownership in these entities amounting to SR 1,072.68 million (31 December 2023: SR 1,113.98 million). For all these investments, the Group analyses whether and to what extent it controls the investee and any underlying entities. A material structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination above criteria. As at 31 December 2024, Group's investments in material structured entities do not meet the above criteria of control. Accordingly, such investments are recorded as fair value through statement of income (FVIS) into these consolidated financial statements.

   The details of the Bank's associate is as follows:

	Country of incorporation	**Nature of business**	**Ownership (direct and indirect) December 31, 2024**	Ownership (direct and indirect) December 31, 2023
Associate				
AlJazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	**33.08%***	26.03%

*This includes the Bank's standalone shareholding of 29.36% (31 December 2023: 22.31%) and AJC's shareholding of 3.72% (31 December 2023: 3.72%)

2. BASIS OF PREPARATION

a) Basis of preparation

i. Statement of compliance

These consolidated financial statements of the Group as at and for the year ended 31 December 2024 and 31 December 2023, respectively, have been prepared;

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

ii. Basis of measurement and presentation

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 as Fair Value through Income Statement (FVIS), Fair Value through Other Comprehensive Income (FVOCI) and liabilities for employee benefit obligations carried at present values of future cashflows calculated using Projected Unit Credit Method. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of the risk being hedged.

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

iii. Functional and presentation currency

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

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 all the subsidiaries of the Bank is the Saudi Arabian Riyal (SR) except for AlJazira Securities Limited whose functional currency is US Dollars.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

i. Subsidiaries

Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all the following three criteria must be met:

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation (continued)

i. Subsidiaries (continued)

a) the Group has power over an entity;
b) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
c) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. 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.

ii. 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. Changes in the Bank’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iv. Investment in an associate

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized 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 the latest available financial information) less impairment, if any.

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

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

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates.

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS as endorsed in the KSA and in compliance with other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2024 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets.

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

i. Business model assessment (note 3(c)(i)(a))
ii. Assessments whether contractual cash flows are solely payments of principal and profit (SPPI) (note 3(c)(i)(b))
iii. Classification of financial assets (note 3(c)(i))
iv. Impairment losses on financial assets (note 2(c)(i))
v. Fair value measurement (note 2(c)(ii))
vi. Impairment of non-financial assets (note 2(c)(iii))
vii. Determination of control over investees (note 2(c)(iv))
viii. Provisions for liabilities and charges (note 2(c)(v))
ix. Going concern (note 2(c)(vi))
x. Employee benefit obligation (note 2(c)(vii))
xi. Depreciation and amortisation (note (3)(l))
xii. Government grant (note 3(i))
xiii. Judgement of equity vs liability for Tier 1/2 Sukuk (note 2(c)(viii))
xiv. Lease liability (note (3)(p))

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions (continued)

i. Impairment losses on financial assets

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

1) the selection of an estimation technique or modelling methodology, covering below key judgments and assumptions:

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

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

ii. Fair value of financial instruments

The Group measures the financial instruments, such as derivatives, financial instruments held at fair value through income statement (FVIS) and fair value through other comprehensive income (FVOCI), at their fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 6 (d) and note 36 (b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Group has access at that date. The Fair value of a liability reflects its non-performance risk.

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

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

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions (continued)

ii. Fair value of financial instruments (continued)

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

- Level 3 — Inputs that are unobservable. This category include all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

iii. Impairment of non-financial assets

The carrying amounts of 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 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 asset. 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.

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions (continued)

iii. Impairment of non-financial assets (continued)

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

Other real estates are revalued through independent real estate evaluators on a periodic basis and any unrealised losses on revaluation are recognised in the consolidated statement of income.

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.

iv Determination of control over investment funds

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

v 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 estimate of the amount required to settle the claim.

vi Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

vii. Employee Benefit Obligation

The Group operates an end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labour laws. The liability for the plan is estimated in accordance with International Accounting Standard (IAS) 19 – Employee Benefits as endorsed in the Kingdom of Saudi Arabia, by a qualified actuary based on various assumptions. The key assumptions used to estimate the plan liability at the year end, are disclosed in note 30 to these consolidated financial statements.

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions (continued)

viii Judgement of equity vs liability for Tier 1/2 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions that are under the control of the Bank. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2023. Based on the adoption of new standard, interpretations and in consideration of current economic environment, the following accounting policies and treatments are applicable effective 1 January 2024 replacing, amending or adding to the corresponding accounting policies set out in 2023 annual consolidated financial statements.

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, the management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standard, interpretation, amendments	Description	Effective date
Accounting Standards		
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

Standard, interpretation, amendments	Description	Effective date
Accounting Standards		
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Other Standards		
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(ii) Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are not yet effective. The Group has opted not to early adopt these pronouncements and the management does not expect these to have a significant impact on the consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinit ely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026.
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Trade date accounting

All regular-way purchases and sales of financial assets are initially recognised and derecognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. 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.

c) Financial assets and financial liabilities

i. Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVIS.

Financial asset at amortised cost

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

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Commission income is recognised in the consolidated statement of income.

Debt instruments that are measured at amortised cost are subject to impairment.

Financial assets at FVOCI

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

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

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 consolidated other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Investments in debt instruments as FVOCI are initially measured at fair value plus transaction costs. These are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI and recycled to consolidated statement of income at the time of sale. Income from investments and financing and foreign exchange gains and losses are recognised in consolidated statement of income.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

i. Classification of financial assets (continued)

Financial assets at FVOCI (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. Gains and losses on such equity instruments are never reclassified to the consolidated statement of income and no impairment is recognised in the consolidated statement of income. Investments in unquoted equity instruments are measured at fair value. The cumulative gains or losses will not be reclassified to the consolidated statement of income on disposal of the investments.

On initial recognition the Group designates all investments in equity instruments that are not FVIS as FVOCI.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividend clearly represent a recovery of part of the cost of the investment.

Financial asset at FVIS

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVIS (for example: equity held for trading and debt securities classified neither as amortised cost nor FVOCI).

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

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.

Financial assets at FVIS are measured at fair value at the end of each reporting period, with any gains or losses arising on measurement recognised in the consolidated statement of income.

Commission income on debt instruments as FVIS is included in the consolidated statement of income.

Dividend income on investments in equity instruments as FVIS is recognised in the consolidated statement of income when the Group's right to receive the dividend is established.

a) Business model assessment

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

i. Classification of financial assets (continued)

a) ***Business model assessment (continued)***

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 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.

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

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic 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 profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

i. Classification of financial assets (continued)

Designation at fair value through income statement

At initial recognition, the Group may designate certain financial assets at FVIS if this designation eliminates or significantly reduces an accounting mismatch, which would otherwise rise.

ii. Classification of financial liabilities

Financial liabilities are classified as measured at amortized cost or FVIS. The Group classifies its financial liabilities, other than financial guarantees and credit related commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Yield Rate (EIR).

All money market deposits, customer deposits, term financing, subordinated sukuks and other debt securities in issue are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through income statement or the Group has opted to measure a liability at fair value through income statement as per the requirements of IFRS 9. A liability is classified at FVIS if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities classified as FVIS using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the consolidated statement of income.

Amounts in OCI relating to own credit are not recycled to the consolidated statement of income even when the liability is derecognized and the amounts are realized.

Financial guarantees and credit related commitments that Group choose to measure at fair value through income statement (FVIS) will have all fair value movements recognized in consolidated statement of income.

Designation at fair value through income statement

The Group may designate certain financial liabilities as FVIS in either of the following circumstances:

a) the liabilities are managed, evaluated and reported internally on a fair value basis; or
b) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

iii. Derecognition

Financial assets

The Group derecognises a financial asset, such as a financing to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financings are classified as Stage 1 for ECL measurement purposes, unless the new financing is deemed to be POCI.

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

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

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

a) Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
b) Other fees are included in profit or loss as part of the gain or loss on derecognition.

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

Financial liabilities

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

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

v. Impairment

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 / Ijarah receivables;
- financial guarantee contracts issued; and
- credit related commitments issued.
- bank balances

No impairment loss is recognized on FVOCI 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 (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

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

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 not credit-impaired.

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

v. Impairment (continued)

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn credit related commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

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

Restructured financial assets

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

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- 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 yield rate of the existing financial asset.
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3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

v. Impairment (continued)

Credit-impaired financial assets

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

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

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

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

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

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

POCI financial assets

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

v. Impairment (continued)

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. ECL estimation is based on expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates the ECL for facilities within these products as per the actual remaining maturity of the facilities for stage 2 and 3 customers, and capped to twelve month maturity for stage 1 customers. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products, primarily based on delinquency-based criteria.

The profit rate used to discount the ECL for credit cards is based on the average effective profit rate that is expected to be charged over the expected period of exposure to the facilities. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for commercial and rconsumer products.

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

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- credit related commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the credit related commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under "other liabilities"; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in consolidated statement of income and changes between the amortised cost of the assets and their fair value are recognised in OCI.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

v. Impairment (continued)

Write-off

Financing and debt securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Recoveries of amounts previously written off are recognised when the cash is received and are included in “Impairment charge for financing and other financial assets, net” in the statement of income

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

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the 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 professional evaluators or based on housing price indices.

d) Financial guarantees, letters of credit 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.

The premium received is recognised in the income statement in Fees from banking services, net on a straight line basis over the life of the guarantee.

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

d) Financial guarantees, letters of credit and financing commitments (continued)

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

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

The Group has issued no credit related commitments that are measured at FVIS. For other credit related commitments the Group recognizes loss allowance as a provision under “other liabilities”.

e) Derivative financial instruments and hedge accounting

Derivative financial instruments including forward rate agreements, profit rate swaps and profit rate options (both written and purchased) are initially measured at their fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the consolidated statement of financial position. The transaction costs associated with these agreements are recognised in the consolidated statement of income.

All derivatives are carried at their fair value as assets, where the fair value is positive, and as liabilities, where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

i. Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in “Gain / (Loss) on FVIS Financial Instruments, net”. Derivatives held for trading also includes those derivatives, which do not qualify for hedge accounting.

ii. Embedded derivatives

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

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

Separated embedded derivatives are measured at fair value with all changes in fair value recognized in consolidated statement of income unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

e) Derivative financial instruments and hedge accounting (continued)

iii. Hedge Accounting

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

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rates and foreign currencies. In order to manage risks, the Group applies hedge accounting for transactions that meet specific criteria.

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

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

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

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statement of income in 'net gain on FVIS financial instruments'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

Fair Value Hedges

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

e) Derivative financial instruments and hedge accounting (continued)

iii. Hedge Accounting (continued)

Fair Value Hedges (continued)

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

Cash Flow Hedges

For designated and qualifying cash flow hedging, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly under “other reserve” in consolidated statement of comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

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

In accordance with risk management policies, the Group manages its cash flow profit rate risk on an entity-wide basis as well as variability of profit rate on Wakala floating rates notes. The Group designate profit rate swaps as hedging instrument against the cash flow risk resulting from a change in profit rates that occurs up to the repricing of the swap.

The Group first assesses forecasting of the “net cash flow” exposures from existing yield bearing assets and liabilities, including the rollover of short-term assets and short-term liabilities. This is mainly achieved through yield sensitivity gap. During forecasting of the net cash flows, the Group take into account historic information and market trends for withdrawal of deposits, yield rates and refinancing’s and repricing’s. The net cash flows are then compared with existing hedging positions to provide a basis for considering whether adjustment of the hedging relationship should be made.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

e) Derivative financial instruments and hedge accounting (continued)

iii. Hedge Accounting (continued)

Cash Flow Hedges (continued)

The notional amounts of the profit rate swaps that are outstanding at the analysis date are included in each of the periods in which the profit rate swaps are outstanding to assess the impact of the outstanding profit rate swaps on the identified cash flow exposures. While a portion of the forecast transaction is no longer being hedged, the profit rate swap is not de-designated, and it continues to be a hedging instrument for the remaining transactions in the series that have not occurred. However, if the next forecast transaction does not occur until specified period, the remaining after the repricing of the profit rate swap, is not hedged.

The Group designates the hedging relationship in a manner that also consider the extent to which ineffectiveness is expected to be recognised for accounting purposes. The hedged exposure percentage is computed as the ratio of the notional amount of the receive-fixed, pay-variable swaps that are outstanding divided by the gross exposure. The effective portion of the gain or loss on the hedging instrument is initially recognized directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in “trading income, net”. 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 hedge transactions affect the consolidated statement of income.

f) Foreign Currencies

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

Foreign exchange gains or losses from settlement of transactions and translation of year end monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in other comprehensive income depending on the underlying financial asset.

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

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

g) Offsetting financial instruments

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

Income and expenses are not set off 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.

h) Revenue / expense recognition

Income from investments and financing and Return on deposits and financial liabilities

Revenue and expenses related to profit bearing financial instruments are recognized in consolidated statement of income using the effective yield method. The 'effective yield rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

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

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

Measurement of amortized cost

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

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

In calculating revenue and expenses related to profit bearing financial instruments, the effective yield rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Revenue / expense recognition (continued)

Measurement of amortized cost (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, income from investments and financing income is calculated by applying the effective yield rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of income from investments and financing income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, income from investments and financing is calculated by applying the credit-adjusted effective yield rate to the amortized cost of the asset. The calculation of profit does not revert to a gross basis, even if the credit risk of the asset improves.

When the Group enters into a profit rate swap to change profit from fixed to floating (or vice versa), the amount of revenue and expenses related to profit bearing financial instruments is adjusted by the net profit on the swap to the extent the hedge is considered to be effective.

Exchange income / (loss)

Exchange income / (loss) is recognised when earned / incurred as disclosed in note 3(f).

Fees from banking services

Fee income and expense from banking services that are integral to the effective yield rate on a financial asset or financial liability are included in the effective yield rate.

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

Other fee expense on banking services relate mainly to transaction and service fees, which are expensed as the services are received.

Rendering of services

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

The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory, remittance and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for free services related to credit card, the Group recognizes revenue over the period of time.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Revenue / expense recognition (continued)

Customer Loyalty Program

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

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

Trading income / (loss), net

Net income from other financial instruments at FVIS relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVIS and non-trading assets mandatorily measured at FVIS. The line item includes fair value changes, financing and investment income, dividends and foreign exchange differences.

Dividend income

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

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

i) 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 deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of consolidated income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

j) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risk and rewards of the ownership and are measured in accordance with related accounting policies for investments designated as FVIS, FVOCI and amortised cost, whichever is applicable. The transactions are treated as collateralised borrowings and counterparty liabilities and amounts received under these agreements are included in “Due to banks and other financial institutions”, or “customers’ deposits”, as appropriate. The difference between the sale and repurchase price is treated as Return on deposits and financial liabilities and is accrued over the life of the repo agreement using the effective yield rate.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in “cash and balances with SAMA”, “due from banks and other financial institutions” or “financing”, as appropriate. The difference between the purchase and resale price is treated as income from investments and financing and is accrued over the life of the reverse repo agreement using the effective yield rate.

k) 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 as assets held for sale and are initially stated at the lower of the net realizable value of due financing and the current fair value of related properties, less any costs to sell. No depreciation is charged on such real estate. Rental income from other real estate is recognised in the consolidated statement of income.

Subsequent to the initial recognition, such real estate is revalued on a periodic basis. Any unrealised losses on revaluation, realized losses or gains on disposal and rental income are recognised in the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

l) Property and equipment

Property and equipment are measured at cost less accumulated depreciation / amortisation and accumulated impairment loss. Changes in the expected useful life are accounted by changing the period or method, as appropriate, and treated as changes in accounting estimates. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

Freehold land is not depreciated. The cost of property and equipment is depreciated / amortised using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 to 40 years
Leasehold improvements	10 to 24 years or over the lease period, whichever is shorter
Furniture, equipment and vehicles	4 to10 years
Computer softwares and automation projects	4 to 10 years

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

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

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

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

m) Share capital

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

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

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

n) Deposits, debt securities issued and subordinated liabilities

When the Group designates a financial liability as at FVIS, the amount of change in the fair value of the liability that is attributable to changes in its own credit risk is presented in consolidated other comprehensive income (OCI) as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

a) the expected changes in the fair value of the liability related to changes in the credit risk; with
b) the impact on profit or loss of expected changes in fair value of the related instruments.

o) Provisions

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

p) Accounting for leases

i. Where the Group is the lessee

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

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 for lease modifications. 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Right-of-use assets are subject to impairment.

Lease liability
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 to leases of office equipment that are considered of low value. 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

p) Accounting for leases (continued)

ii. Where the Group is the lessor

When assets are transferred under a finance lease, including assets under Islamic lease arrangement (Ijarah) the present value of the lease payments is recognised as a receivable and disclosed under "financing, net". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets subject to operating leases are included in the consolidated financial statements as property and equipment. Income from operating lease is recognised on a straight-line (or appropriate) basis over the period of the lease.

q) Cash and cash equivalents

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

r) Employees' benefits

Defined unfunded benefit plan

End-of-service benefits as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Group's net obligations in respect of defined unfunded benefit plan ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on high quality corporate sukuks at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Group's present value of the obligations.

The defined benefit liability comprises the present value of defined benefit obligations as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. The liability is included in 'other liabilities' in the consolidated statement of financial position.

Short term benefits

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

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

s) Zakat and income tax

Income tax

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, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

Withholding tax

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

Value Added Tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers or
(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

VAT that is not recoverable is charged to the statement of income as expense

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

s) Zakat and income tax (continued)

Deferred income tax (continued)

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 entity 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized.

Zakat

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

t) Fiduciary assets

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

The financial statements of investment management mutual funds are not included in these consolidated financial statements of the Group. Transactions with the Funds' are disclosed under related party transactions. The Group's share of these Funds', if any, are included in FVIS investments.

u) Profit sharing investment account (PSIA)

The Bank offers Unrestricted and Restricted Investment Accounts based on fully shari'ah compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds (IAH) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Shari'ah compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call centre.

Under Wakala arrangement, Bank accepts funds from investors as Wakeel and invests in Shari'ah compliant assets. Wakeel is entitled to a fixed fee as a lump sum or percentage of fund provided. Expected profit pay-out is mentioned to investors upfront while any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel should bear the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss would be borne by the investor or Muwakil.

The Bank maintains necessary reserves as required by SAMA.

Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

u) Profit sharing investment account (PSIA) (continued)

Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

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

The profit equalization reserve is the amount the Bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and unrestricted investment accountholders. Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

v) Shari'ah compliant (non-interest based) banking products

The Bank offers its customers Shari'ah compliant (non-interest based) banking products, which are approved by its Shari'ah Board, as follows:

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

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

Musharaka is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property resulting in the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

Tawaraq is a form of Murabaha transactions where the Bank purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for financing requirements.

Wa'ad Fx is an agreement whereby a client in consideration for the payment of a fee agrees to enter into one or series of trades. One party (promisor) gives a commitment as unilateral undertaking to a second party (promisee).

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

Sukuk are Islamic instruments which represents an individual proportionate ownership interest in an asset and corresponding right to the income streams generated by the asset.

All Shari'ah compliant (non-interest based) products are accounted for using International Financial Reporting Standards and in conformity with the accounting policies described in these consolidated financial statements.

4. CASH AND BALANCES WITH SAMA

	2024 SR'000	2023 SR'000
Cash in hand	**688,914**	747,623
Wakala placement with SAMA	**-**	419,936
Cash and cash equivalents (note 29)	**688,914**	1,167,559
Statutory deposit with SAMA	**5,429,455**	4,673,134
Total	**6,118,369**	5,840,693

In accordance with the Article 7 of the Banking Control Law and regulations issued by the Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, time and other deposit liabilities, calculated on monthly averages at the end of each reporting period (see note 35). The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2024 SR'000	2023 SR'000
Current accounts	**404,794**	504,708
Money market placements	**6,300,560**	4,236,417
Reverse repo (note (i) below)	**-**	958,275
	6,705,354	5,699,400
Less: impairment allowance (note (b) below)	**(8,237)**	(7,626)
Total	**6,697,117**	5,691,774

(i) Reverse repo appearing in comparative period included funds placed under Shari'ah compliant arrangement carrying a profit @5.55% with maturity due on 10 April 2024. The Bank had the right to dispose the pledged assets in the event of default.

The money market placements and reverse repo represent funds placed on Shari'ah compliant (non-interest based) basis as follows.

	2024 SR'000	2023 SR'000
Money market placements - Commodity murabaha	**3,534,191**	2,669,749
Money market placements - Wakala	**2,766,369**	1,566,668
Reverse repos - Wa'ad	**-**	958,275
	6,300,560	5,194,692

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET (continued)

a) The following table explains changes in gross carrying amount of the due from banks and other financial institutions to help explain their significance to the changes in the loss allowance for the same portfolio.

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Gross carrying amount as at 1 January 2024	**5,565,366**	**134,034**	**-**	**5,699,400**
Transfer to lifetime ECL not credit – impaired	**(521)**	**521**	**-**	**-**
New financial assets originated	**3,434,430**	**186**	**-**	**3,434,616**
Financial assets derecognised during the period other than write-offs	**(350)**	**-**	**-**	**(350)**
Changes in accrued profit	**(5,313)**	**1,181**	**-**	**(4,132)**
Other movements	**(2,464,093)**	**39,913**	**-**	**(2,424,180)**
Gross carrying amount as at 31 December 2024	**6,529,519**	**175,835**	**-**	**6,705,354**

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	1,693,280	-	-	1,693,280
Transfer to lifetime ECL not credit – impaired	(58,665)	58,665	-	-
New financial assets originated	2,793,488	-	-	2,793,488
Financial assets derecognised during the period other than write-offs	(233,510)	-	-	(233,510)
Changes in accrued profit	102,614	2,625	-	105,239
Other movements	1,268,159	72,744	-	1,340,903
Gross carrying amount as at 31 December 2023	5,565,366	134,034	-	5,699,400

b) An analysis of changes in loss allowance for due from banks and other financial institutions is, as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Loss allowance as at 1 January 2024	**2,907**	**4,719**	**-**	**7,626**
Transfer to lifetime ECL not credit – impaired	**(2)**	**2**	**-**	**-**
Net re-measurement of loss allowance	**(1,867)**	**1,463**	**-**	**(404)**
New financial assets originated	**1,016**	**-**	**-**	**1,016**
Financial assets that have been derecognized	**(1)**	**-**	**-**	**(1)**
Loss allowance as at 31 December 2024	**2,053**	**6,184**	**-**	**8,237**

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

b) An analysis of changes in loss allowance for due from banks and other financial institutions is, as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Loss allowance as at 1 January 2023	4,477	-	-	4,477
Transfer to lifetime ECL not credit – impaired	(134)	134	-	-
Net re-measurement of loss allowance	(1,610)	4,585	-	2,975
New financial assets originated	1,149	-	-	1,149
Financial assets that have been derecognized	(975)	-	-	(975)
Loss allowance as at 31 December 2023	2,907	4,719	-	7,626

The credit quality of due from banks and other financial institutions is managed using reputable external credit rating agencies. For credit quality of outstanding exposure by rating category refer note 32.2.

6 INVESTMENTS, NET

a) As of 31 December 2024 and 2023, investments were classified as follows:

	2024 SR'000	2023 SR'000
Held at FVIS	**1,794,618**	1,484,128
Held at FVOCI	**13,317,085**	12,440,107
Allowance for impairment	**(1,847)**	(1,624)
Held at FVOCI, net	**13,315,238**	12,438,483
Held at Amortised Cost	**21,093,972**	20,529,749
Allowance for impairment	**(10,105)**	(10,070)
Held at Amortized Cost, net	**21,083,867**	20,519,679
Total	**36,193,723**	34,442,290

6 INVESTMENTS, NET (continued)

b) As of 31 December 2024 and 2023, details of investments by type are as follows:

	2024 SR'000		
	Domestic	**International**	**Total**
i) FVIS			
Mutual funds	**166,845**	**1,581,302**	**1,748,147**
Equities – quoted	**17,264**	**-**	**17,264**
Equities – unquoted	**-**	**22,589**	**22,589**
Convertible debt instrument	**-**	**6,618**	**6,618**
	184,109	**1,610,509**	**1,794,618**
ii) FVOCI			
Equities – unquoted	**529,845**	**1,429**	**531,274**
Fixed rate Sukuk – equities	**2,093,206**	**206,172**	**2,299,378**
Floating rate Sukuk - equities	**700,000**	**-**	**700,000**
Fixed rate Sukuks	**9,496,067**	**-**	**9,496,067**
Floating rate Sukuks	**290,366**	**-**	**290,366**
	13,109,484	**207,601**	**13,317,085**
Allowance for impairment	**(1,847)**	**-**	**(1,847)**
	13,107,637	**207,601**	**13,315,238**
iii) Amortised cost			
Fixed rate Sukuks	**16,187,728**	**382,707**	**16,570,435**
Floating rate Sukuks	**3,412,116**	**-**	**3,412,116**
Wakala floating rate notes	**1,111,421**	**-**	**1,111,421**
	20,711,265	**382,707**	**21,093,972**
Allowance for impairment	**(9,733)**	**(372)**	**(10,105)**
	20,701,532	**382,335**	**21,083,867**
Total	**33,993,278**	**2,200,445**	**36,193,723**

6 INVESTMENTS, NET (continued)

b) As of 31 December 2024 and 2023, details of investments by type are as follows (continued):

	2023 SR'000 Domestic	International	Total
i) FVIS			
Mutual funds	63,560	1,400,081	1,463,641
Equities – unquoted	-	20,487	20,487
	63,560	1,420,568	1,484,128
ii) FVOCI			
Equities – unquoted	4,143	1,120	5,263
Fixed rate Sukuk – equities	1,941,792	197,080	2,138,872
Floating rate Sukuk - equities	500,000	-	500,000
Fixed rate Sukuks	9,505,587	-	9,505,587
Floating rate Sukuks	290,385	-	290,385
	12,241,907	198,200	12,440,107
Allowance for impairment	(1,624)	-	(1,624)
	12,240,283	198,200	12,438,483
iii) Amortised cost			
Fixed rate Sukuks	14,343,218	382,707	14,725,925
Floating rate Sukuks	2,280,415	-	2,280,415
Wakala floating rate notes	3,523,409	-	3,523,409
	20,147,042	382,707	20,529,749
Allowance for impairment	(9,721)	(349)	(10,070)
	20,137,321	382,358	20,519,679
Total	32,441,164	2,001,126	34,442,290

c) The composition of investments net of related ECL, if any, as quoted and unquoted is as follows:

	2024			2023		
	Quoted SR'000	**Unquoted SR'000**	**Total SR'000**	Quoted SR'000	Unquoted SR'000	Total SR'000
Sukuk investments-debt-Fixed rate	**23,957,012**	**2,102,661**	**26,059,673**	22,282,097	1,944,016	24,226,113
Sukuk investments-debt-Floating rate	**2,117,839**	**1,580,388**	**3,698,227**	1,828,291	738,790	2,567,081
Wakala floating rate notes	**1,110,553**	**-**	**1,110,553**	3,520,833	-	3,520,833
Sukuk investments - Equities-Fixed rate	**836,124**	**1,463,254**	**2,299,378**	698,043	1,440,829	2,138,872
Sukuk investments - Equities-Floating rate	**-**	**700,000**	**700,000**	500,000	-	500,000
Equities	**17,264**	**553,863**	**571,127**	-	25,750	25,750
Mutual funds	**166,845**	**1,581,302**	**1,748,147**	111,563	1,352,078	1,463,641
Convertible debt instrument	**-**	**6,618**	**6,618**	-	-	-
Total investments	**28,205,637**	**7,988,086**	**36,193,723**	28,940,827	5,501,463	34,442,290

6 INVESTMENTS, NET (continued)

d) The analysis of unrealized gains and losses and the fair values of investments carried at amortised cost are as follows:

	2024				2023			
	Carrying value SR'000	**Gross unrealized gains SR'000**	**Gross unrealized losses SR'000**	**Fair value SR'000**	Carrying value SR'000	Gross unrealized gains SR'000	Gross unrealized losses SR'000	Fair value SR'000
Sukuk investments	**19,973,314**	**19,608**	**(970,676)**	**19,022,246**	16,998,846	40,754	(651,911)	16,387,689
Wakala floating rate notes	**1,110,553**	**-**	**(1,211)**	**1,109,342**	3,520,833	36,977	-	3,557,810
Total	**21,083,867**	**19,608**	**(971,887)**	**20,131,588**	20,519,679	77,731	(651,911)	19,945,499

e) The analysis of the Group's investments by nature of counterparty is as follows:

	2024 SR'000	2023 SR'000
Government and quasi Government	**28,386,256**	28,492,710
Corporate	**4,047,082**	2,975,253
Banks and other financial institutions	**3,760,385**	2,974,327
Total	**36,193,723**	34,442,290

Certain sukuk investments (disclosed in note 6(c)) are quoted in different markets but are not actively traded.

Mutual funds domiciled in the Kingdom of Saudi Arabia (disclosed in note 6(b)) with underlying investments outside the Kingdom of Saudi Arabia are classified under the "International" category.

Sukuk and wakala floating rate investments include SR 10.83 billion (2023: SR 10.40 billion), which have been pledged under repurchase agreements with other banks. The market value of such investments is SR 9.89 billion (2023: SR 9.84 billion).

f) An analysis of changes in loss allowance for debt instruments carried at amortised cost is as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
		(SR'000)		
Loss allowance as at 1 January 2024	**10,070**	-	-	**10,070**
Net re-measurement of loss allowance	**551**	-	-	**551**
New financial assets originated	**2,106**	-	-	**2,106**
Financial assets that have been derecognized	**(2,622)**	-	-	**(2,622)**
Loss allowance as at 31 December 2024	**10,105**	**-**	**-**	**10,105**

6 INVESTMENTS, NET (continued)

f) An analysis of changes in loss allowance for debt instruments carried at amortised cost is as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Loss allowance as at 1 January 2023	13,020	-	-	13,020
Net re-measurement of loss allowance	(3,814)	-	-	(3,814)
New financial assets originated	1,577	-	-	1,577
Financial assets that have been derecognized	(713)	-	-	(713)
Loss allowance as at 31 December 2023	10,070	-	-	10,070

g) An analysis of changes in loss allowance for debt instruments carried at FVOCI is as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Loss allowance as at 1 January 2024	**1,624**	**-**	**-**	**1,624**
Net re-measurement of loss allowance	**116**	**-**	**-**	**116**
New financial assets originated	**107**	**-**	**-**	**107**
Financial assets that have been derecognized	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2024	**1,847**	**-**	**-**	**1,847**

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Loss allowance as at 1 January 2023	6,457	-	-	6,457
Net re-measurement of loss allowance	(4,951)	-	-	(4,951)
New financial assets originated	118	-	-	118
Financial assets that have been derecognized	-	-	-	-
Loss allowance as at 31 December 2023	1,624	-	-	1,624

7. FINANCING, NET

Consumer includes financing related to individuals for personal needs.

Commercial include financing to corporate, medium and small sized business and institutional customers.

Others include financing to staff.

a) Financing, net comprised the following:

2024	SR'000 Credit cards	Consumer	Commercial	Others	Total
Performing financing	**787,212**	**34,211,203**	**62,952,157**	**288,854**	**98,239,426**
Non-performing financing	**50,724**	**231,581**	**910,885**	**8,887**	**1,202,077**
Gross financing	**837,936**	**34,442,784**	**63,863,042**	**297,741**	**99,441,503**
Allowance for impairment	**(71,896)**	**(239,431)**	**(2,213,105)**	**(4,575)**	**(2,529,007)**
Financing, net	**766,040**	**34,203,353**	**61,649,937**	**293,166**	**96,912,496**

2023	SR'000 Credit cards	Consumer	Commercial	Others	Total
Performing financing	770,715	29,172,310	51,799,465	295,058	82,037,548
Non-performing financing	53,873	303,447	1,171,180	7,385	1,535,885
Gross financing	824,588	29,475,757	52,970,645	302,443	83,573,433
Allowance for impairment	(73,429)	(214,083)	(2,501,057)	(3,963)	(2,792,532)
Financing, net	751,159	29,261,674	50,469,588	298,480	80,780,901

Financing, net represents Shari'ah compliant products in respect of Murabaha agreements, Ijarah, Istisnaa'a, Musharaka and Tawarraq. The above comprise of shari'ah approved balances as follows:

2024	SR'000 Credit cards	Consumer	Commercial	Others	Total
Tawarraq	**837,936**	**614,198**	**51,602,493**	**14**	**53,054,641**
Murabaha	**-**	**28,522,379**	**8,033,550**	**-**	**36,555,929**
Ijarah	**-**	**5,290,288**	**1,882,293**	**-**	**7,172,581**
Qard Alhasan	**-**	**-**	**-**	**297,727**	**297,727**
Others	**-**	**15,919**	**2,344,706**	**-**	**2,360,625**
Gross financing	**837,936**	**34,442,784**	**63,863,042**	**297,741**	**99,441,503**
Allowance for impairment	**(71,896)**	**(239,431)**	**(2,213,105)**	**(4,575)**	**(2,529,007)**
Financing, net	**766,040**	**34,203,353**	**61,649,937**	**293,166**	**96,912,496**

7. FINANCING, NET (continued)

	SR'000				
2023	Credit cards	Consumer	Commercial	Others	Total
Tawarraq	824,588	-	41,798,965	-	42,623,553
Murabaha	-	24,522,390	7,197,738	-	31,720,128
Ijarah	-	4,947,977	1,739,952	-	6,687,929
Qard Alhasan	-	-	-	302,443	302,443
Others	-	5,390	2,233,990	-	2,239,380
Gross financing	824,588	29,475,757	52,970,645	302,443	83,573,433
Allowance for impairment	(73,429)	(214,083)	(2,501,057)	(3,963)	(2,792,532)
Financing, net	751,159	29,261,674	50,469,588	298,480	80,780,901

b) The following table explains changes in gross carrying amount of the financing to help explain their significance to the changes in the loss allowance.

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
		(SR'000)		
Financing				
Gross carrying amount as at 1 January 2024	**76,337,327**	**3,332,655**	**3,903,451**	**83,573,433**
Transfer to 12-month ECL	**889,925**	**(796,507)**	**(93,418)**	**-**
Transfer to lifetime ECL not credit – Impaired	**(779,324)**	**834,861**	**(55,537)**	**-**
Transfer to lifetime ECL credit impaired	**(46,661)**	**(673,580)**	**720,241**	**-**
Other Movements	**2,313,941**	**(145,714)**	**(85,369)**	**2,082,858**
New financial assets originated	**22,900,247**	**187,320**	**16,506**	**23,104,073**
Financial assets that have been derecognized other than write-offs	**(8,412,339)**	**(167,211)**	**(388,475)**	**(8,968,025)**
Changes in profit accrual	**234,669**	**-**	**-**	**234,669**
Write-offs	**-**	**-**	**(585,505)**	**(585,505)**
Gross carrying amount as at 31 December 2024	**93,437,785**	**2,571,824**	**3,431,894**	**99,441,503**

7. FINANCING, NET (continued)

b) The following table explains changes in gross carrying amount of the financing to help explain their significance to the changes in the loss allowance (continued)

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Financing				
Gross carrying amount as at 1 January 2023	66,966,856	2,840,214	3,510,584	73,317,654
Transfer to 12-month ECL	118,568	(115,551)	(3,017)	-
Transfer to lifetime ECL not credit – Impaired	(925,722)	983,692	(57,970)	-
Transfer to lifetime ECL credit impaired	(249,853)	(637,837)	887,690	-
Other Movements	302,782	240,055	(223,925)	318,912
New financial assets originated	16,623,150	365,719	17,530	17,006,399
Financial assets that have been derecognized other than write-offs	(6,992,517)	(343,637)	(35,334)	(7,371,488)
Changes in profit accrual	494,063	-	-	494,063
Write-offs	-	-	(192,107)	(192,107)
Gross carrying amount as at 31 December 2023	76,337,327	3,332,655	3,903,451	83,573,433

c) An analysis of changes in ECL for financing is as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Financing				
ECL as at 1 January 2024	**256,078**	**250,907**	**2,285,547**	**2,792,532**
Transfer to 12-month ECL	**56,291**	**(41,764)**	**(14,527)**	**-**
Transfer to lifetime ECL not credit – impaired	**(2,119)**	**8,446**	**(6,327)**	**-**
Transfer to lifetime ECL credit impaired	**(372)**	**(33,317)**	**33,689**	**-**
Net re-measurement of loss allowance	**(57,563)**	**99,797**	**283,921**	**326,155**
New financial assets originated	**93,837**	**2,012**	**7,982**	**103,831**
Financial assets that have been derecognized other than write-offs	**(28,770)**	**(4,069)**	**(75,167)**	**(108,006)**
Write-offs	**-**	**-**	**(585,505)**	**(585,505)**
ECL as at 31 December 2024	**317,382**	**282,012**	**1,929,613**	**2,529,007**

7. FINANCING, NET (continued)

c) An analysis of changes in ECL for financing is as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Financing				
ECL as at 1 January 2023	248,641	305,843	2,164,161	2,718,645
Transfer to 12-month ECL	2,922	(1,460)	(1,462)	-
Transfer to lifetime ECL not credit – impaired	(6,920)	12,428	(5,508)	-
Transfer to lifetime ECL credit impaired	(921)	(208,571)	209,492	-
Net re-measurement of loss allowance	(21,355)	149,851	111,555	240,051
New financial assets originated	59,261	1,156	7,568	67,985
Financial assets that have been derecognized other than write-offs	(25,550)	(8,340)	(8,152)	(42,042)
Write-offs	-	-	(192,107)	(192,107)
ECL as at 31 December 2023	256,078	250,907	2,285,547	2,792,532

d) An analysis of changes in ECL by each class of financial instrument is as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Credit cards				
ECL as at 1 January 2024	**22,036**	**829**	**50,564**	**73,429**
Transfer to 12-month ECL	**1,320**	**(364)**	**(956)**	**-**
Transfer to lifetime ECL not credit – impaired	**(217)**	**339**	**(122)**	**-**
Transfer to lifetime ECL credit impaired	**(258)**	**(236)**	**494**	**-**
Net re-measurement of loss allowance	**(4,706)**	**106**	**7,973**	**3,373**
New financial assets originated	**7,911**	**219**	**530**	**8,660**
Financial assets that have been derecognized other than write-offs	**(2,816)**	**(162)**	**(4,007)**	**(6,985)**
Write-offs	**-**	**-**	**(6,581)**	**(6,581)**
ECL as at 31 December 2024	**23,270**	**731**	**47,895**	**71,896**

7. FINANCING, NET (continued)

d) An analysis of changes in ECL by each class of financial instrument is as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Credit cards				
ECL as at 1 January 2023	25,261	1,479	54,982	81,722
Transfer to 12-month ECL	892	(351)	(541)	-
Transfer to lifetime ECL not credit – impaired	(299)	408	(109)	-
Transfer to lifetime ECL credit impaired	(420)	(193)	613	-
Net re-measurement of loss allowance	(5,860)	158	12,779	7,077
New financial assets originated	5,686	174	881	6,741
Financial assets that have been derecognized other than write-offs	(3,224)	(846)	(3,596)	(7,666)
Write-offs	-	-	(14,445)	(14,445)
ECL as at 31 December 2023	22,036	829	50,564	73,429

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Consumer financing				
ECL as at 1 January 2024	**62,585**	**1,624**	**149,874**	**214,083**
Transfer to 12-month ECL	**11,102**	**(402)**	**(10,700)**	**-**
Transfer to lifetime ECL not credit – impaired	**(201)**	**1,795**	**(1,594)**	**-**
Transfer to lifetime ECL credit impaired	**(62)**	**(102)**	**164**	**-**
Net re-measurement of loss allowance	**6,305**	**(1,350)**	**21,002**	**25,957**
New financial assets originated	**48,856**	**923**	**4,477**	**54,256**
Financial assets that have been derecognized other than write-offs	**(12,394)**	**(516)**	**(19,844)**	**(32,754)**
Write-offs	**-**	**-**	**(22,111)**	**(22,111)**
ECL as at 31 December 2024	**116,191**	**1,972**	**121,268**	**239,431**

7. FINANCING, NET (continued)

d) An analysis of changes in ECL by each class of financial instrument is as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Consumer financing				
ECL as at 1 January 2023	53,134	1,714	165,913	220,761
Transfer to 12-month ECL	1,329	(408)	(921)	-
Transfer to lifetime ECL not credit – impaired	(122)	1,176	(1,054)	-
Transfer to lifetime ECL credit impaired	(74)	(135)	209	-
Net re-measurement of loss allowance	(3,231)	(580)	35,436	31,625
New financial assets originated	22,503	446	5,250	28,199
Financial assets that have been derecognized other than write-offs	(10,954)	(589)	(850)	(12,393)
Write-offs	-	-	(54,109)	(54,109)
ECL as at 31 December 2023	62,585	1,624	149,874	214,083

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Commercial financing				
ECL as at 1 January 2024	**170,933**	**248,423**	**2,081,701**	**2,501,057**
Transfer to 12-month ECL	**43,869**	**(40,998)**	**(2,871)**	**-**
Transfer to lifetime ECL not credit – impaired	**(1,696)**	**6,307**	**(4,611)**	**-**
Transfer to lifetime ECL credit impaired	**(47)**	**(32,970)**	**33,017**	**-**
Net re-measurement of loss allowance	**(59,156)**	**101,016**	**253,540**	**295,400**
New financial assets originated	**36,936**	**865**	**2,975**	**40,776**
Financial assets that have been derecognized other than write-offs	**(13,490)**	**(3,369)**	**(50,456)**	**(67,315)**
Write-offs	**-**	**-**	**(556,813)**	**(556,813)**
ECL as at 31 December 2024	**177,349**	**279,274**	**1,756,482**	**2,213,105**

7. FINANCING, NET (continued)

d) An analysis of changes in ECL by each class of financial instrument is as follows (continued):

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Commercial financing				
ECL as at 1 January 2023	169,866	302,609	1,939,564	2,412,039
Transfer to 12-month ECL	701	(701)	-	-
Transfer to lifetime ECL not credit – impaired	(6,495)	10,352	(3,857)	-
Transfer to lifetime ECL credit impaired	(426)	(208,236)	208,662	-
Net re-measurement of loss allowance	(12,336)	150,734	63,198	201,596
New financial assets originated	30,952	536	1,260	32,748
Financial assets that have been derecognized other than write-offs	(11,329)	(6,871)	(3,573)	(21,773)
Write-offs	-	-	(123,553)	(123,553)
ECL as at 31 December 2023	170,933	248,423	2,081,701	2,501,057

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Others				
ECL as at 1 January 2024	**524**	**31**	**3,408**	**3,963**
Transfer to lifetime ECL not credit – impaired	**(5)**	**5**	**-**	**-**
Transfer to lifetime ECL credit impaired	**(5)**	**(9)**	**14**	**-**
Net re-measurement of loss allowance	**(6)**	**25**	**1,406**	**1,425**
New financial assets originated	**134**	**5**	**-**	**139**
Financial assets that have been derecognized other than write-offs	**(70)**	**(22)**	**(860)**	**(952)**
ECL as at 31 December 2024	**572**	**35**	**3,968**	**4,575**

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Others				
ECL as at 1 January 2023	380	41	3,702	4,123
Transfer to lifetime ECL not credit –impaired	(4)	492	(488)	-
Transfer to lifetime ECL credit impaired	(1)	(7)	8	-
Net re-measurement of loss allowance	72	(461)	142	(247)
New financial assets originated	120	-	177	297
Financial assets that have been derecognized other than write-offs	(43)	(34)	(133)	(210)
ECL as at 31 December 2023	524	31	3,408	3,963

7. FINANCING, NET (continued)

e) Movements in allowance for impairment are as follows:

2024	SR'000 Credit Cards	Consumer	Commercial	Others	Total
Opening ECL allowance as at 1 January 2024	**73,429**	**214,083**	**2,501,057**	**3,963**	**2,792,532**
Impairment charge for the year	**5,048**	**121,101**	**394,848**	**5,384**	**526,381**
Bad debts written off during the year	**(6,581)**	**(22,111)**	**(556,813)**	**-**	**(585,505)**
Recoveries / reversals of amounts previously provided	**-**	**(73,642)**	**(125,987)**	**(4,772)**	**(204,401)**
Balance at the end of the year	**71,896**	**239,431**	**2,213,105**	**4,575**	**2,529,007**

2023	SR'000 Credit Cards	Consumer	Commercial	Others	Total
Opening ECL allowance as at 1 January 2023	81,722	220,761	2,412,039	4,123	2,718,645
Impairment charge for the year	6,152	113,704	257,423	1,805	379,084
Bad debts written off during the year	(14,445)	(54,109)	(123,553)	-	(192,107)
Recoveries / reversals of amounts previously provided	-	(66,273)	(44,852)	(1,965)	(113,090)
Balance at the end of the year	73,429	214,083	2,501,057	3,963	2,792,532

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2024 and that are still subject to enforcement activity is SR 572.97 million (2023: SR 47.87 million).

f) Net impairment charge for financing and other financial assets for the year in the consolidated statement of income is as follows:

	2024 SR'000	2023 SR'000
Impairment charge for financing for the year	**526,381**	379,084
(Recoveries) / (reversals) of amounts previously provided	**(204,401)**	(113,090)
(Recoveries) from debts previously written off	**(26,830)**	(32,702)
Net charge for impairment in respect of due from banks and other financial institutions	**611**	3149
Net impairment charge/ (reversal) for ECL in respect of investments	**258**	(7,783)
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	**21,441**	405
Impairment charge for financing and other financial assets, net	**317,460**	229,063

7. FINANCING, NET (continued)

g) Economic sector risk concentrations for the financing and allowance for impairment are as follows:

2024	Performing SR'000	Non performing SR'000	Allowance for impairment SR'000	Financing, net SR'000
Government and quasi Government	**7,641,829**	**-**	**(9,435)**	**7,632,394**
Banks and other financial institutions	**3,585,753**	**-**	**(5,850)**	**3,579,903**
Agriculture and fishing	**255,521**	**-**	**(176)**	**255,345**
Manufacturing	**2,991,456**	**54,189**	**(567,769)**	**2,477,876**
Mining and quarrying	**1,134,220**	**-**	**(107)**	**1,134,113**
Electricity, water, gas and health services	**42,838**	**2,920**	**(592)**	**45,166**
Building and construction	**2,673,745**	**488,125**	**(449,106)**	**2,712,764**
Commerce	**21,182,522**	**214,926**	**(523,947)**	**20,873,501**
Transportation and communication	**544,366**	-	**(466)**	**543,900**
Services	**3,706,872**	**79,908**	**(304,320)**	**3,482,460**
Consumer financing and credit cards	**34,998,415**	**282,305**	**(311,327)**	**34,969,393**
Share trading	**2,189,175**	**-**	**-**	**2,189,175**
Others	**17,292,714**	**79,704**	**(355,912)**	**17,016,506**
Total	**98,239,426**	**1,202,077**	**(2,529,007)**	**96,912,496**

2023	Performing SR'000	Non performing SR'000	Allowance for impairment SR'000	Financing, net SR'000
Government and quasi Government	6,681,677	-	(9,086)	6,672,591
Banks and other financial institutions	2,054,070	-	(13,973)	2,040,097
Agriculture and fishing	70,000	-	(59)	69,941
Manufacturing	4,477,118	193,442	(741,128)	3,929,432
Mining and quarrying	951,000	-	(487)	950,513
Electricity, water, gas and health services	42,589	4,000	(445)	46,144
Building and construction	4,554,351	274,487	(560,254)	4,268,584
Commerce	14,787,471	473,195	(674,447)	14,586,219
Transportation and communication	619,102	-	(548)	618,554
Services	3,623,807	109,419	(238,447)	3,494,779
Consumer financing and credit cards	29,943,025	357,320	(287,512)	30,012,833
Share trading	2,121,492	-	-	2,121,492
Others	12,111,846	124,022	(266,146)	11,969,722
Total	82,037,548	1,535,885	(2,792,532)	80,780,901

7. FINANCING, NET (continued)

h) Other real estate

	2024 **SR'000**	2023 SR'000
Balance at the beginning of the year	**542,004**	549,539
Additions during the year	**991**	1,118
Disposals during the year	**(403,025)**	(8,653)
Gross balance at the end of the year	**139,970**	542,004
Provision for unrealised revaluation losses (note (i) below)	**(253)**	(43,018)
Net balance at the end of the year	**139,717**	498,986

i) This represents impairment charge booked in respect of unrealised losses on certain properties which were acquired by the Bank in prior years in satisfaction of claims against the financing customers. The amount was calculated based on revaluations conducted by the independent real estate evaluators. During the current year an impairment loss of SR 42.8 million which was booked in prior years has been reversed mainly as a result of changes in fair value and disposal of certain properties with sale proceeds more than the book value.

8. OTHER ASSETS

	2024 **SR'000**	2023 SR'000
Advances, prepayments and other receivables	**224,595**	116,569
Margin deposits against financial instruments	**2,028**	-
VAT and tax related receivables	**77,199**	157,704
Cash held with cash management companies	**465,421**	280,436
Others	**341,874**	164,740
Total	**1,111,117**	719,449

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company ("ATT"). The Group effectively holds 33.08% (31 December 2023: 26.03%) shareholding in ATT.

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of ATT and was based on the latest available financial information of ATT for the period ended 30 September 2024. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of 31 December 31, 2024 was SR 359.34 million (31 December 2023: SR 292.02 million) based on Tadawul market price.

During the second quarter of 2024, the Group made an additional investment of SR 76.22 million in ATT, representing 7.05% of ATT's capital. This investment was executed through a private (off-market) transaction after obtaining non-objection from the Saudi Central Bank. Following this purchase, the ownership interest of BAJ Group in ATT increased to 33.08%. The additional investment has been recorded using the cost accumulation approach. The increase in the carrying amount of the investment in the associate is reflected in the "Investment in an associate" on the Statement of Financial Position. The Group's share in the net income of the associate resulting from this additional investment after date of acquisition has been recognized in the consolidated statement of income.

The following table summarises the latest available financial information of ATT based on latest available financial statements:

	2024 **SR'000**	2023 SR'000
Total assets	**3,062,708**	2,705,934
Total liabilities	**(2,109,102)**	(1,771,854)
Total shareholders' equity	**953,690**	933,687
Proportion of the Group's ownership	**33.08%**	26.03%
Carrying amount of the investment	**323,716**	243,011
Revenue (underwriting, investment and other income)	**76,788**	85,437
Other operating expenses	**(14,975)**	(37,129)
Total profit for the year before zakat and income tax	**61,813**	48,308
The Group's share of profit for the year	**16,901**	16,066

The following table summarises the movement of the investment in associate during the year:

	2024 **SR'000**	2023 SR'000
Balance at the beginning of the year	**243,011**	217,871
Share in profit for the year before zakat and income tax	**16,901**	16,066
Share of zakat and income tax	**(6,901)**	(759)
Share of other comprehensive income	**984**	9,833
Additional Investment during the year	**76,270**	-
Divided received	**(6,549)**	-
Balance at the end of the year	**323,716**	243,011

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

	2024 SR'000	2023 SR'000
Property and equipment, net (note a)	**758,346**	648,636
Right of use assets, net (note b)	**206,953**	222,088
Intangible assets (note c)	**292,777**	240,441
Total	**1,258,076**	1,111,165

a) Property and equipment, net

	Land and buildings SR'000	Leasehold improvements SR'000	Furniture, equipment and vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost					
At 1 January 2023	291,475	544,962	639,493	146,055	1,621,985
Additions during the year	-	4,898	9,237	80,583	94,718
Transfers during the year	-	7,460	20,909	(28,369)	-
Disposals during the year	(37,447)	-	(1,293)	-	(38,740)
At 31 December 2023	254,028	557,320	668,346	198,269	1,677,963
Additions during the year	-	3,586	7,180	159,519	170,285
Transfers during the year	-	28,204	45,333	(74,774)	(1,237)
Disposals during the year	-	-	(977)	-	(977)
At 31 December 2024	254,028	589,110	719,882	283,014	1,846,034
Accumulated depreciation					
At 1 January 2023	8,911	383,001	582,151	-	974,063
Charge for the year	2,373	27,928	26,195	-	56,496
Disposals	-	-	(1,232)	-	(1,232)
At 31 December 2023	11,284	410,929	607,114	-	1,029,327
Charge for the year	2,083	29,895	27,436	-	59,414
Disposals	-	-	(932)	-	(932)
Transfers/Adjustments		(16)	(105)	-	(121)
At 31 December 2024	13,367	440,808	633,513	-	1,087,688
Net book value					
At 31 December 2024	240,661	148,302	86,369	283,014	758,346
At 31 December 2023	242,744	146,391	61,232	198,269	648,636

10. PROPERTY, EQUIPMENT, INTANGIBLES AND RIGHT OF USE ASSETS, NET (continued)

b) Right of use assets, net

	Land and buildings SR'000	Office Equipment SR'000	Vehicles SR'000	Total SR'000
Cost				
At 1 January 2023	617,940	7,103	1,541	626,584
Additions during the year	61,128	-	377	61,505
At 1 January 2024	679,068	7,103	1,918	688,089
Additions during the year	**63,801**	**13,457**	**1,150**	**78,408**
At 31 December 2024	**742,869**	**20,560**	**3,068**	**766,497**
Accumulated depreciation				
At 1 January 2023	368,456	6,997	1,349	376,802
Charge for the year	88,807	105	287	89,199
At 1 January 2024	457,263	7,102	1,636	466,001
Charge for the year	**86,226**	**6,729**	**588**	**93,543**
At 31 December 2024	**543,489**	**13,831**	**2,224**	**559,544**
Net book value				
At 31 December 2024	**199,380**	**6,729**	**844**	**206,953**
At 31 December 2023	221,805	1	282	222,088

Majority of the Right of use assets comprise of rented branches and ATM locations which have been leased by the Group for varying terms from the landlords and will be vacated and handed over to the owners unless extended for another term based on mutual consent. The Group is responsible for maintenance and insurance of these assets during the lease term. The Group does not have any buy back option as part of the rental contracts to purchase these assets. The Group has the right to terminate some of these contracts by giving advance notice and in some cases may be required to pay part of remaining contractual payments as penalty.

10. PROPERTY, EQUIPMENT, INTANGIBLES AND RIGHT OF USE ASSETS, NET (continued)

c) Intangible assets

	Computer softwares SR'000	Work in progress SR'000	Total SR'000
Cost			
At 1 January 2023	396,048	115,784	511,832
Additions during the year	407	108,847	109,254
Transfers during the year	22,936	(22,936)	-
Disposals	(1,260)	(263)	(1,523)
At 1 January 2024	**418,131**	**201,432**	**619,563**
Additions during the year	**22**	**82,334**	**82,356**
Transfers during the year	**101,180**	**(101,180)**	-
Disposals	-	**(276)**	**(276)**
Transfers/Adjustments	-	**1,236**	**1,236**
At 31 December 2024	**519,333**	**183,546**	**702,879**
Accumulated amortisation			
At 1 January 2023	343,162	-	343,162
Charge for the year	36,424	-	36,424
Disposals	(464)	-	(464)
At 1 January 2024	**379,122**	**-**	**379,122**
Charge for the year	**30,858**	**-**	**30,858**
Transfers/Adjustments	**122**	**-**	**122**
At 31 December 2024	**410,102**	**-**	**410,102**
Net book value			
At 31 December 2024	**109,231**	**183,546**	**292,777**
At 31 December 2023	39,009	201,432	240,441

11. SHARI'AH COMPLIANT DERIVATIVES

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

11.1 Nature/type of derivatives held

a) Swaps

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

b) Options (Wa'ad Fx)

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

11.2 Purpose of derivatives

a) 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 in order, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to profit rate risk and foreign exchange risk.

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

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 profit rate risk. This is generally achieved by hedging specific transactions.

11. SHARI'AH COMPLIANT DERIVATIVES (continued)

11.2 Purpose of derivatives (continued)

b) Held for hedging purposes (continued)

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear profit rate risk. The Group uses profit rate swaps as hedging instruments to hedge against these profit rate risks. Below is the schedule indicating as at December 31, the periods when the hedged cash flows (profit receipts / payments) are expected to occur and when they are expected to affect the consolidated statement of income:

2024 SR'000	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Cash inflows (assets)	**97,224**	**162,917**	**62,440**	**61,940**
Cash outflows (liabilities)	**(96,192)**	**(160,682)**	**(173,607)**	**(409,029)**
Net cash outflow	**1,032**	**2,235**	**(111,167)**	**(347,089)**

2023 SR'000	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Cash inflows (assets)	-	-	-	-
Cash outflows (liabilities)	(217,476)	(317,571)	(180,168)	(49,265)
Net cash outflow	(217,476)	(317,571)	(180,168)	(49,265)

The gains on cash flow hedges on disposal / amortisation of previously discontinued hedging relationship, reclassified to the consolidated statement of income during the year are as follows:

	2024 SR'000	2023 SR'000
Income from investments and financing	**35,783**	12,437
Return on deposits and financial liabilities	**(25,634)**	(12,320)
Net gains on cash flow hedges reclassified to the consolidated statement of income	**10,149**	117

11. SHARI'AH COMPLIANT DERIVATIVES (continued)

11.2 Purpose of derivatives (continued)

b) Held for hedging purposes (continued)

	2024 **SR'000**	2023 SR'000
Balance at the beginning of the year	**31,290**	73,235
Gains / (losses) from change in fair value recognised directly in equity, net (effective portion)	**17,178**	(41,828)
Gains removed from equity and transferred to consolidated statement of income	**(10,149)**	(117)
Balance at the end of the year	**38,319**	31,290

Cashflow hedge reserve as of year-end include unrealised loss of SR 16.56 million (2023: unrealised gain of SR 72.67 million) on outstanding hedges and a realised gain of SR 54.88 million (2023: loss of SR 41.38 million) related to terminated hedges.

Fair value gain on cash flow hedges amounting to SR 17.18 million (2023: loss of SR 41.83 million) included in the consolidated statement of comprehensive income comprised of net unrealized loss of SR 89.23 million (2023: unrealized loss of SR 31.32 million) and realized gain of SR 106.40 million (2023: net realised loss of SR 10.51 million) on termination of hedge relationship.

During the current and prior years, the Group terminated certain of its profit rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS as endorsed in KSA requirements, the gain / (loss) will be reclassified to consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the consolidated statement of income i.e. when profit receipts / payments impact the consolidated statement of income which is over the remaining maturity of financial instrument / hedge items.

11.3 Details of shar'iah compliant derivatives

The table below sets out the positive and negative fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the year end, do not necessarily reflect the amount of future cash flows involved. The notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

11 SHARI'AH COMPLIANT DERIVATIVES (continued)

11.3 Details of shar'iah compliant derivatives (continued)

2024
SR'000

	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	Monthly average
Held for trading:								
Options	**19,636**	**19,636**	**1,188,832**	**-**	**600,000**	**538,530**	**50,302**	**1,185,920**
Currency swaps	**1,175**	**3,516**	**3,168,750**	**1,331,250**	**1,837,500**	**-**	**-**	**3,418,760**
Currency forwards	**199**	**149**	**82,529**	**82,529**	**-**	**-**	**-**	**249,919**
Profit rate swaps	**73,630**	**65,104**	**5,650,087**	**-**	**1,822,500**	**2,326,998**	**1,500,589**	**5,985,863**
Cross currency profit rate swaps	**411**	**2,020**	**1,875,000**	**-**	**-**	**1,875,000**	**-**	**1,875,000**
Held as cash flow hedges:								
Profit rate swaps	**56,686**	**74,574**	**5,137,500**	**500,000**	**-**	**2,450,000**	**2,187,500**	**3,817,577**
Total	**151,737**	**164,999**	**17,102,698**	**1,913,779**	**4,260,000**	**7,190,528**	**3,738,391**	**16,533,039**

2023
SR'000

	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	Monthly average
Held for trading:								
Options	35,198	35,198	1,174,611	-	-	1,140,372	34,239	626,431
Currency swaps	2,134	3,134	3,063,044	2,200,544	862,500	-	-	3,415,765
Currency forwards	4	93	7,245	7,245	-	-	-	441,784
Profit rate swaps	79,968	78,710	6,631,381	1,624,510	695,207	3,297,220	1,014,444	5,632,252
Cross currency profit rate swaps	411	8,715	1,875,000	-	-	1,875,000	-	1,875,000
Held as cash flow hedges:								
Profit rate swaps	104,793	21,211	3,600,000	-	-	2,300,000	1,300,000	5,400,000
Total	222,508	147,061	16,351,281	3,832,299	1,557,707	8,612,592	2,348,683	17,391,232

Held for trading profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 8.40 million (31 December 2023: SR 11.29 million) and accrued payable amounting to SR 8.40 million (31 December 2023: SR 11.3 million) respectively. Held as cash flow hedge profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 35.26 million (31 December 2023: SR 26.21 million) and accrued payable amounting to SR 36.59 million (31 December 2023: SR 15.30 million) respectively.

All the derivative products in the above table are Shari'ah approved.

11. SHARI'AH COMPLIANT DERIVATIVES (continued)

11.3 Details of shar'iah compliant derivatives (continued)

During the years ended on December 31, 2024 and December 31, 2023, there was no ineffectiveness in the cash flow hedges.

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

Description of hedged items (SR '000) 2024	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Floating rate investments	**2,450,000**	**Cash flow**	**Profit rate swap**	**20,932**	**62,213**
Floating rate deposits	**2,687,500**	**Cash flow**	**Profit rate swap**	**35,754**	**12,361**

Description of hedged items (SR '000) 2023	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Floating rate investments	-	Cash flow	Profit rate swap	-	-
Floating rate deposits	3,600,000	Cash flow	Profit rate swap	104,793	21,211

Currently the Bank is exposed to SAIBOR and SOFR rates on its hedging positions.

12. DUE TO BANKS, SAUDI CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	2024 SR'000	2023 SR'000
Current accounts	**296,103**	210,444
Money market deposits from banks and other financial institutions (refer note 12.1)	**8,440,523**	4,308,082
Repurchase agreement borrowings	**10,572,707**	10,467,207
Total	**19,309,333**	14,985,733

12.1 This balance includes profit free deposits received during financial year 2020 from SAMA with gross amount of SR 1.47 billion (31 December 2023: SR 1.47 billion) with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19.

12. DUE TO BANKS, SAUDI CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS (continued)

The above comprise of Shari'ah approved balances as follows:

	2024 SR'000	2023 SR'000
Current accounts	**296,103**	210,444
Commodity murabaha	**2,543,650**	667,670
Wakala	**7,054,443**	3,932,790
Wa'ad	**9,415,137**	10,174,829
Total	**19,309,333**	14,985,733

13. CUSTOMERS' DEPOSITS

	2024 SR'000	2023 SR'000
Demand	**34,564,643**	33,411,088
Saving and call deposits	**11,114,104**	2,045,058
Customers' time investments	**60,193,863**	56,491,816
Other	**2,313,904**	2,106,439
Total	**108,186,514**	94,054,401

The above comprise of Shari'ah approved customer deposits as follows:

	2024 SR'000	2023 SR'000
Demand - Qard	**34,564,643**	33,411,088
Saving and call deposits- Wakala	**11,114,104**	2,045,058
Customers' time investments – Murabaha	**27,758,619**	23,518,625
Customers' time investments – Wakala	**32,435,244**	32,973,191
Other – Qard	**2,313,904**	2,106,439
Total	**108,186,514**	94,054,401

Other customers' deposits include SR 1,075.45 million (2023: SR 955.12 million) of margins held for irrevocable contingencies and commitments.

The above includes foreign currency deposits as follows:

	2024 SR'000	2023 SR'000
Demand	**987,952**	1,316,859
Customers' time investments	**5,346,221**	5,808,499
Other	**53,887**	89,563
Total	**6,388,060**	7,214,921

The foreign currency deposits are mainly in US Dollars to which the SR is pegged. Accordingly, the sensitivity with respect to foreign currency risk is not material.

14. SUBORDINATED SUKUK

On 8 December 2021, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 155 basis point per annum and payable semi-annually in arrears on 8 December and 8 June each year until 8 December 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 8 December 2026 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. These Sukuk are registered with Saudi Exchange (Tadawul).

15. OTHER LIABILITIES

	2024 SR'000	2023 SR'000
Accounts payable	**678,982**	481,682
Employee benefit obligations (refer note 30)	**309,433**	293,066
Lease Liability – discounted (note a below)	**177,821**	197,373
Loss allowance for credit related commitments and contingencies (refer note 20(c)(iii))	**351,252**	329,811
Dividend payable	**62,934**	66,610
AlJazira Philanthropic Program (note b below)	**4,953**	4,711
Others	**452,232**	570,489
Total	**2,037,607**	1,943,742

a) The maturity analysis of lease liabilities based on contractual undiscounted cash flows is as follows:

	2024 SR'000	2023 SR'000
Less than one year	**65,957**	67,707
One to five years	**108,494**	129,691
More than five years	**26,902**	23,280
Total undiscounted lease liabilities at December 31	**201,353**	220,678
Lease liabilities included in the consolidated statement of financial position at December 31	**177,821**	197,373
Current	**58,082**	60,115
Non-Current	**119,739**	137,258

b) During 2006, Bank AlJazira announced the allocation of SAR 100 million to community services and charitable contributions directed to the local community throughout the Kingdom. The Bank's Board of Directors recognizes the importance of this vital role in serving the community and contributing to supporting this noble goal. The Bank allocated this amount to social responsibility programs, which contributes to sustainable development.

A committee emanating from the Board of Directors has been formed under the name of "Sustainability and Social Responsibility Committee" to develop, follow up and supervise the strategic plan for the Bank's social initiatives, and this committee consists of members from the Board of Directors and the executive management, also uses other independent members who are knowledgeable and experienced in social responsibility-related fields in order to enhance the quality of programs and offer strategic guidance.

16. SHARE CAPITAL

The shareholders of the Bank in their Extra Ordinary General Assembly Meeting held on April 24, 2024 approved the increase in the Bank's share capital from SR 8.2 billion to SR 10.25 billion through the issuance of bonus shares to shareholders of the Bank in the ratio of one share for every four shares held. The legal formalities relating to the increase in share capital completed during second quarter of the year. Accordingly, the authorized, issued and fully paid share capital of the Bank consists of 1,025 million shares of SR 10 each (31 December 2023: 820 million shares of SR 10 each).

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

	2024	2023
Saudi shareholders	**85.11%**	84.21%
Non-Saudi shareholder - National Bank of Pakistan (NBP)	**3.70%**	3.70%
Non-Saudi shareholders – others	**11.19%**	12.09%

17. STATUTORY RESERVES

In accordance with Saudi Arabian Banking Control Law and the By-laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SR 307.74 million has been transferred from net income (2023: SR 254.99 million). The statutory reserve is not available for distribution.

18. OTHER RESERVES

2024	**Cash flow hedges SR' 000**	**Fair value reserve – FVOCI debt SR' 000**	**Fair value reserve – FVOCI equity SR' 000**	**Actuarial gains (note 30) SR' 000**	**Share in OCI of associate SR' 000**	**Total SR' 000**
Balance at beginning of the year	**31,290**	**(859,574)**	**(75,324)**	**49,376**	**9,833**	**(844,399)**
Net change in fair value	**17,178**	**(328,367)**	**89,115**	**-**	**984**	**(221,090)**
Transfers to retained earnings on disposal	**-**	**-**	**(143)**	**-**	**-**	**(143)**
Reclassified to consolidated statement of income (note 11.2(b))	**(10,149)**	**-**	**-**	**-**	**-**	**(10,149)**
Actuarial losses on employee benefit obligation (note 30.1 (b))	**-**	**-**	**-**	**(17,685)**	**-**	**(17,685)**
Net movement during the year	**7,029**	**(328,367)**	**88,972**	**(17,685)**	**984**	**(249,067)**
Balance at the end of the year	**38,319**	**(1,187,941)**	**13,648**	**31,691**	**10,817**	**(1,093,466)**

18. OTHER RESERVES (continued)

2023	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Fair value reserve – FVOCI equity SR' 000	Actuarial gains (note 30) SR' 000	Share in OCI of associate SR' 000	Total SR' 000
Balance at beginning of the year	**73,235**	**(789,195)**	**(81,637)**	**42,300**	**-**	**(755,297)**
Net change in fair value	**(41,828)**	**(70,379)**	**22,474**	**-**	**9,833**	**(79,900)**
Transfers to retained earnings on disposal	**-**	**-**	**(16,161)**	**-**	**-**	**(16,161)**
Reclassified to consolidated statement of income (note 11.2(b))	**(117)**	**-**	**-**	**-**	**-**	**(117)**
Actuarial gains on employee benefit obligation (note 30.1 (b))	**-**	**-**	**-**	**7,076**	**-**	**7,076**
Net movement during the year	**(41,945)**	**(70,379)**	**6,313**	**7,076**	**9,833**	**(89,102)**
Balance at the end of the year	**31,290**	**(859,574)**	**(75,324)**	**49,376**	**9,833**	**(844,399)**

19. TIER 1 SUKUK

During the year 2021, the Bank issued cross border Tier 1 Sukuk (the "Sukuk) through a Shari'ah compliant arrangement ("the arrangement") amounting to SR 1.875 billion (denominated in US Dollars). This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 3.95% per annum from date of issue up to June 2026 and is subject to reset every 5 years.

In addition to the Tier 1 Sukuk issued above, during year 2023, the Bank completed the issuance of an SAR-denominated additional Tier 1 sukuk of SR 2 billion (which is part of additional Tier 1 Capital Sukuk Programme of SR 5 billion) by way of a private placement in Saudi Arabia. This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 6% per annum from date of issue up to June 2028 and is subject to reset every 5 years.

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

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

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2023, there were legal proceedings of routine nature outstanding against the Group. No significant provision has been made as related professional legal advice indicated that it is unlikely that any significant loss will eventually arise.

b) Capital commitments

As at December 31, 2024, the Group had capital commitments of SR 276.22 million (2023: SR 245.75 million) in respect of premises and IT related projects.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as financing. Cash requirements under guarantees and standby letters of credit are 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and, therefore, have significantly less credit 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 customers.

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

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

2024	Within 3 months	3-12 months	(SR'000) 1-5 years	Over 5 years	Total
Letters of credit	**1,544,225**	**792,054**	**543,839**	**-**	**2,880,118**
Letters of guarantee	**9,471,687**	**2,504,007**	**224,809**	**23,050**	**12,223,553**
Acceptances	**1,108,259**	**-**	**-**	**-**	**1,108,259**
Irrevocable commitments to extend credit	**-**	**104,620**	**561,278**	**1,426,431**	**2,092,329**
Total	**12,124,171**	**3,400,681**	**1,329,926**	**1,449,481**	**18,304,259**
Allowance for impairment					**(351,252)**
Net exposure					**17,953,007**

2023	Within 3 months	3-12 months	(SR'000) 1-5 years	Over 5 years	Total
Letters of credit	1,427,340	679,292	901,516	-	3,008,148
Letters of guarantee	6,406,621	2,050,711	224,809	23,050	8,705,191
Acceptances	903,453	-	-	-	903,453
Irrevocable commitments to extend credit	297,053	160,000	423,946	257,490	1,138,489
Total	9,034,467	2,890,003	1,550,271	280,540	13,755,281
Allowance for impairment					(329,811)
Net exposure					13,425,470

The outstanding unused portion of commitments as at December 31, 2024, which can be revoked unilaterally at any time by the Group, amounts to SR 5.64 billion (2023: SR 10.75 billion).

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

ii) The following table explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the credit loss allowance for the same portfolio.

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Gross carrying amount as at 1 January 2024	**13,187,483**	**48,116**	**519,682**	**13,755,281**
Transfer to 12-month ECL	**46,078**	**(44,772)**	**(1,306)**	**-**
Transfer to lifetime ECL not credit – impaired	**(127,236)**	**127,236**	**-**	**-**
Transfer to lifetime ECL credit – impaired	**(28,475)**	**(1,178)**	**29,653**	**-**
New financial assets originated	**5,148,474**	**5,000**	**-**	**5,153,474**
Financial assets derecognised during the year	**(1,008,259)**	**(685)**	**(14,078)**	**(1,023,022)**
Other movements	**65,868**	**352,664**	**(6)**	**418,526**
Gross carrying amount as at 31 December 2024	**17,283,933**	**486,381**	**533,945**	**18,304,259**

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the year.

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850	9,405,306
Transfer to 12-month ECL	4,331	(4,331)	-	-
Transfer to lifetime ECL not credit – impaired	(29,973)	29,973	-	-
Transfer to lifetime ECL credit – impaired	(6,681)	(5,367)	12,048	-
New financial assets originated	3,318,760	21,684	300	3,340,744
Financial assets derecognised during the year	(687,625)	(3,222)	(16,366)	(707,213)
Other movements	1,770,350	(30,756)	(23,150)	1,716,444
Gross carrying amount as at 31 December 2023	13,187,483	48,116	519,682	13,755,281

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

iii) An analysis of changes in allowance for impairment for credit related commitments and contingencies is as follows:

	2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
ECL as at 1 January 2024	**44,753**	**301**	**284,757**	**329,811**
Transfer to 12-month ECL	**270**	**(232)**	**(38)**	**-**
Transfer to lifetime ECL not credit – Impaired	**(344)**	**344**	**-**	**-**
Transfer to lifetime ECL credit impaired	**(196)**	**(6)**	**202**	**-**
Net re-measurement of loss allowance	**(5,102)**	**1,640**	**19,889**	**16,427**
New financial assets originated	**15,270**	**38**	**-**	**15,308**
Financial assets that have been derecognized	**(2,164)**	**(26)**	**(8,104)**	**(10,294)**
ECL as at 31 December 2024	**52,487**	**2,059**	**296,706**	**351,252**

	2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
ECL as at 1 January 2023	21,713	174	307,519	329,406
Transfer to 12-month ECL	17	(17)	-	-
Transfer to lifetime ECL not credit – Impaired	(93)	93	-	-
Transfer to lifetime ECL credit impaired	(24)	(7)	31	-
Net re-measurement of loss allowance	9,811	(36)	(14,865)	(5,090)
New financial assets originated	15,050	98	179	15,327
Financial assets that have been derecognized	(1,721)	(4)	(8,107)	(9,832)
ECL as at 31 December 2023	44,753	301	284,757	329,811

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

	2024 SR'000	2023 SR'000
Government and quasi government	**759,482**	694,382
Corporate	**11,509,122**	12,255,383
Banks and other financial institutions	**6,035,655**	805,516
	18,304,259	13,755,281
Allowance for impairment	**(351,252)**	(329,811)
Total	**17,953,007**	13,425,470

20. COMMITMENTS AND CONTINGENCIES (continued)

d) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Group is the lessee are as follows:

	2024 SR'000	2023 SR'000
Less than 1 year	**23,742**	3,397
1 to 5 years	**68,142**	1,309
Total	**91,884**	4,706

21. NET FINANCING AND INVESTMENT INCOME

	2024 SR'000	2023 SR'000
Income from investments and financing		
Financing	**5,856,180**	4,613,893
Investments held at amortised cost	**925,943**	970,266
Investments held at FVOCI	**380,506**	310,401
Shari'ah compliant derivatives	**376,579**	214,407
Due from banks and other financial institutions	**439,585**	155,727
Total	**7,978,793**	6,264,694
Return on deposits and financial liabilities		
Customers' deposits	**3,740,659**	2,821,535
Due to banks and other financial institutions	**1,107,031**	765,923
Shari'ah compliant derivatives	**331,951**	143,735
Subordinated Sukuk	**157,645**	151,536
Finance cost on leased assets	**11,591**	9,758
Others	**(4,506)**	(2,593)
Total	**5,344,371**	3,889,894
Net financing and investment income	**2,634,422**	2,374,800

All of the Group's income from investments and financing and return on deposits and financial liabilities is from Shari'ah approved products.

22. FEES FROM BANKING SERVICES, NET

	2024 SR'000	2023 SR'000
Fees from banking services - income		
Local share trading	**171,684**	143,544
Cards business	**380,234**	355,264
Mutual funds fees	**188,095**	163,951
Investment banking and advisory fee	**20,937**	57,161
Fees from remittance business	**71,803**	55,750
Trade finance	**147,736**	101,008
Financing related fees	**35,555**	28,754
International share trading	**14,469**	17,730
Others	**55,153**	45,359
Total fees from banking services	**1,085,666**	968,521
Fees from banking services - expense		
Brokerage fees	**(90,478)**	(75,597)
Cards related expenses	**(348,936)**	(305,633)
Mutual funds related expenses	**(26,753)**	(28,402)
International share trading	**(2,616)**	(3,464)
Remittance business fee expense	**(37)**	(139)
Financing related expenses	**(12,785)**	(7,242)
Total fees expense on banking services	**(481,605)**	(420,477)
Total	**604,061**	548,044

23. NET GAIN / (LOSS) ON FVIS FINANCIAL INSTRUMENTS

	2024 SR'000	2023 SR'000
Mutual funds	**44,647**	23,968
Equities and convertible debt instruments	**(1,732)**	4,819
Derivatives	**1,726**	(32,234)
Total	**44,641**	(3,447)

Net (loss)/ gain on FVIS financial instruments includes net unrealized gain of SR 19.45 million (2023: unrealised gain of SR 6.16 million).

24. DIVIDEND INCOME

	2024 SR'000	2023 SR'000
Investments - FVOCI	**151,499**	103,008
Investments - FVIS	**41,182**	50,344
Total	**192,681**	153,352

25. OTHER OPERATING INCOME

	2024 SR'000	2023 SR'000
Gain on sale of other real estate	**68,077**	2,346
Gain on sale of property and equipment	**14**	19,355
Others	**14,442**	19,216
Total	**82,533**	40,917

26. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2024 SR'000	2023 SR'000
Non-claimable taxes	**72,859**	141,709
Repair & maintenance, utilities and IT cost	**342,138**	294,979
Insurance cost	**39,351**	40,041
Legal, Professional and consultancy fee	**77,291**	46,143
Communication, publication and advertisement charges	**53,248**	37,284
Stationery and supplies	**35,416**	20,530
Travel and entertainment	**14,235**	11,618
Others	**68,156**	43,285
Total	**702,694**	635,589

26.1 Auditors' remuneration

Auditors' remuneration for the statutory audit of the Group's consolidated financial statements (including financial statements of the subsidiaries) for the year ended 31 December 2024 amounts to SR 2.76 million (2023:SR 2.69 million). Auditors' remuneration for the review of the Group's interim financial information for the year ended 31 December 2024 and provision of other statutory and related services amounts to SR 1.03 million and SR 0.42 million respectively. (2023: SR SR 0.9 million and SR 0.68 million respectively)

27. EARNINGS PER SHARE

Basic earnings per share for the current and prior year is calculated by dividing the net income for the year attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk related costs) by the weighted average number of ordinary shares outstanding, as follows.

	2024 SR'000	2023 SR'000 Restated
Profit attributable to ordinary share holders (adjusted for Tier 1 sukuk related costs)		
For basic and diluted earnings per share	**1,035,127**	882,206
	Shares	Shares
Weighted-average number of ordinary shares		
For basic and diluted earnings per share	**1,025,000,000**	1,025,000,000
Basic and diluted earnings per share (in SR)	**1.01**	0.86

The calculations of basic and diluted earnings per share are same for the Group.

28. ZAKAT AND INCOME TAX

	2024 SR'000	2023 SR'000
Zakat		
Current year	**167,810**	152,747
Prior year	**(2,529)**	(1,360)
	165,281	151,387
Income tax		
Current year	**8,384**	7,604
Prior year	**-**	1,888
	8,384	9,492
Total	**173,665**	160,879

Status of assessments:

During the current year, the Bank received a Zakat assessment for the year 2019 with an additional Zakat amount of SAR 79.7 million. The Bank has already submitted its objection to the imposition of the additional Zakat to the General Secretariat of Tax Committees (GSTC) and is confident that the outcome will be in its favor.

As of December 31, 2024, the Bank has filed its Zakat and Income Tax returns with the Zakat, Tax, and Customs Authority (ZATCA) and has paid zakat and income tax for the years up to and including 2023. Zakat assessments have been finalized through FY 2018, and income tax assessments have been concluded till the FY 2017.

29. CASH AND CASH EQUIVALENTS

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

	2024 SR'000	2023 SR'000
Cash and balances with SAMA, excluding statutory deposit (note 4)	**688,914**	1,167,559
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	**1,635,471**	1,555,301
Total	**2,324,385**	2,722,860

29. CASH AND CASH EQUIVALENTS (continued)

29.1 Below is a reconciliation of liabilities arising from financing activities:

2024	**Subordinated Sukuk**	**Dividend Payable**	**lease liabilities against right of use assets**
		(SR' 000)	
Balances as at 1 January 2024	**2,004,346**	**66,610**	**197,373**
Changes from financing cash flows			
Payment of return on Subordinate Sukuk	**(156,073)**	**-**	**-**
Payment of leased liability - principal	**-**	**-**	**(97,960)**
Dividend paid	**-**	**(3,676)**	**-**
Other changes			
Increase due to additions	**-**	**-**	**78,408**
Payment of leased liability - profit	**-**	**-**	**(11,591)**
Financing cost	**155,903**	**-**	**11,591**
Amortisation of transaction cost	**1,741**	**-**	**-**
Other adjustments	**1**	**-**	**-**
Balances as at 31 December 2024	**2,005,918**	**62,934**	**177,821**

2023	Subordinated Sukuk	Dividend Payable	lease liabilities against right of use assets
		(SR' 000)	
Balances as at 1 January 2023	2,002,819	66,730	222,001
Changes from financing cash flows			
Payment of return on Subordinate Sukuk	(150,114)	-	-
Payment of leased liability - principal	-	-	(86,133)
Dividend paid	-	(120)	-
Other changes			
Increase due to additions	-	-	61,505
Payment of leased liability - profit	-	-	(9,758)
Financing cost	149,795	-	9,758
Amortisation of transaction cost	1,741	-	-
Other adjustments	105	-	-
Balances as at 31 December 2023	2,004,346	66,610	197,373

30 EMPLOYEE BENEFIT OBLIGATION

30.1 Defined Benefit obligation

a) General description

The Group operates an "End of Service Benefit Plan" for its employees based on the prevailing Saudi Labour Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

30 EMPLOYEE BENEFIT OBLIGATION (continued)

30.1 Defined Benefit obligation (continued)

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

	2024 SR'000	2023 SR'000
Defined benefit obligation at the beginning of the year	**293,066**	291,810
Charge for the year	**23,334**	34,983
Finance cost	**12,505**	11,471
Benefits paid	**(37,157)**	(38,122)
Re-measurements	**17,685**	(7,076)
Defined benefit obligation at the end of the year	**309,433**	293,066

c) Amounts recognized in consolidated statement of income

	2024 SR'000	2023 SR'000
Current service cost	**33,277**	34,983
Past service cost	**(9,943)**	-
	23,334	34,983

d) Re-measurement gain recognised in consolidated other comprehensive income

	2024 SR'000	2023 SR'000
Changes in experience assumptions	**(5,849)**	(3,413)
Changes in demographic assumptions	**569**	2,807
Changes in financial assumptions	**22,965**	(6,470)
	17,685	(7,076)

e) Principal actuarial assumptions used in estimating the defined benefit obligation included:

	2024	2023
Discount rate	**5.35%**	4.56%
Expected rate of salary increase (long term)	**3.00%**	3.00%
Withdrawal rate	**13% up to 35 years and 9% for others**	13% up to 35 years and 9% for others
Average duration	**6.72 years**	6.41 years
Normal retirement age	**65 years**	60 years

30. EMPLOYEE BENEFIT OBLIGATION (continued)

30.1 Defined Benefit obligation (continued)

f) The table below illustrates the sensitivity of the defined benefit obligation due to changes in the key assumptions and holding all other variables constant:

		2024 SR'000	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**(20,710)**	**23,570**
Expected rate of salary increase	**1%**	**24,910**	**(22,247)**
Withdrawal rate	**10%**	**(624)**	**776**

		2023 SR'000	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(17,715)	19,886
Expected rate of salary increase	1%	21,455	(19,422)
Withdrawal rate	10%	(1,699)	1,926

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

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

	SR'000				
	Less than a year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
December 31, 2024	**36,435**	**32,153**	**85,354**	**334,046**	**487,988**
December 31, 2023	35,077	28,858	82,512	277,002	423,449

h) The expected contribution for next year amounts to SR 50.10 million (2023: SR 43.72 million) comprising of service cost and finance cost.

30.2 Defined Contribution obligation

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 45.54 million (2023: SR 46 million).

31. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Chief Executive Officer) in order to allocate resources to the segments and to assess their performance.

All of the Group's operations are based in the Kingdom of Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

In the second quarter of the current financial year, the Bank updated its Funds Transfer Pricing (FTP) policy, resulting in modifications to segment performance reporting. This new FTP policy was implemented in response to the current rate environment, future outlook, and to align with best practices. Consequently, prior year comparatives have been restated to ensure comparability.

For management reporting purposes, the Group is organized into following main operating segments:

Personal banking
Deposit, credit and investment products for individuals.

Corporate banking
Financing, deposits and other credit products for corporate, small to medium sized business and institutional customers.

Treasury
Treasury includes money market, foreign exchange, trading and treasury services.

Brokerage and asset management
Group provides shares brokerage and asset management services to customers (this segment includes the activities of the Bank's subsidiary AlJazira Capital Company).

31. OPERATING SEGMENTS (continued)

Others

Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group's total assets and liabilities and its income from operations and net income for the year by operating segment are as follows:

2024	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Others	Total
Total assets	**44,685,961**	**50,552,799**	**49,404,697**	**3,938,976**	**323,635**	**148,906,068**
Total liabilities	**43,727,176**	**52,491,559**	**33,279,798**	**2,205,919**	**(81)**	**131,704,371**
Inter - segment profit / (loss)	**582,223**	**19,847**	**(558,203)**	**-**	**(43,867)**	**-**
Total operating income	**2,081,817**	**1,203,802**	**404,576**	**441,775**	**(352,573)**	**3,779,397**
of which:						
- Net financing and investment income	**1,643,417**	**913,986**	**22,171**	**98,714**	**(43,866)**	**2,634,422**
- Fees from banking services, net	**232,490**	**164,153**	**87**	**275,255**	**(67,924)**	**604,061**
- Net gain on FVIS financial instruments	**-**	**-**	**15,011**	**29,630**	**-**	**44,641**
Total operating expenses	**(1,530,824)**	**(501,602)**	**(162,867)**	**(197,487)**	**1,101**	**(2,391,679)**
of which - Impairment charge for financing and other financial assets, net	**(53,328)**	**(263,262)**	**(870)**	**-**	**-**	**(317,460)**
- Impairment reversal for other real estate	**-**	**42,571**	**-**	**-**	**-**	**42,571**
- Depreciation and amortisation	**(142,990)**	**(16,997)**	**(13,244)**	**(10,584)**	**-**	**(183,815)**
Share in net income of an associate	**-**	**-**	**-**	**2,414**	**14,487**	**16,901**
Net income before zakat and income tax	**550,993**	**702,200**	**241,709**	**246,702**	**(336,985)**	**1,404,619**

31. OPERATING SEGMENTS (continued)

2023	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Others	Total
Total assets	37,282,400	42,379,310	46,036,164	3,609,974	242,929	129,550,777
Total liabilities	44,402,369	48,153,639	18,516,718	2,062,638	(81)	113,135,283
Inter - segment profit / (loss)	770,514	(15,336)	(722,551)	43,171	(75,798)	-
Total operating income	1,890,869	942,742	418,643	396,333	(313,935)	3,334,652
of which:						
- Net financing and investment income	1,476,129	773,504	98,144	59,650	(32,627)	2,374,800
- Fees from banking services, net	200,734	120,933	515	274,923	(49,061)	548,044
- Net loss on FVIS financial instruments	-	-	(7,507)	13,653	(9,593)	(3,447)
Total operating expenses	(1,379,037)	(415,002)	(137,954)	(238,660)	786	(2,169,867)
of which						
- Impairment charge for financing and other financial assets, net	(47,003)	(186,694)	4,634	-	-	(229,063)
- Depreciation and amortisation	(143,169)	(17,153)	(14,103)	(7,694)	-	(182,119)
Share in net income of an associate	-	-	-	2,295	13,771	16,066
Net income before zakat and income tax	511,832	527,740	280,689	159,968	(299,378)	1,180,851

31. OPERATING SEGMENTS (continued)

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

	(SR'000)				
2024	**Personal banking**	**Corporate banking**	**Brokerage and asset management**	**Treasury**	**Total**
Assets	**44,379,691**	**50,287,374**	**2,257,913**	**37,553,088**	**134,478,066**
Commitments and contingencies	**-**	**15,608,803**	**-**	**-**	**15,608,803**
Derivatives	**-**	**-**	**-**	**664,660**	**664,660**

	(SR'000)				
2023	**Personal banking**	**Corporate banking**	**Brokerage and asset management**	**Treasury**	**Total**
Assets	36,738,330	41,853,533	2,202,618	35,992,221	116,786,702
Commitments and contingencies	-	11,568,113	-	-	11,568,113
Derivatives	-	-	-	597,062	597,062

Credit exposure comprises the carrying value of the consolidated assets excluding cash, property and equipment, other real estate, investment in equities and mutual funds and certain other assets. Additionally, the credit equivalent values of commitments, contingencies and derivatives are also included in the credit exposure.

32. FINANCIAL RISK MANAGEMENT

32.1 Credit Risk

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has set up Board Risk Committee (BRC) which has the responsibility to monitor the overall risk process within the Bank.

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

The BRC is responsible for supervising risk management decisions and monitoring risk levels and reviewing Risk Management reports / Dashboards on a regular basis. BRC is mandated to escalate to the Board any risk management issue which warrants attention of the Board of Directors of the Bank.

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

The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses the external ratings, of the major rating agency, where available.

32. FINANCIAL RISK MANAGEMENT (continued)

32.1 Credit Risk (continued)

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 and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

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

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

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

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 6. For details of the composition of financing refer to note 7. Information on credit risk relating to shari'ah compliant derivative instruments is provided in note 11 and for commitments and contingencies in note 20. The information on Bank's maximum credit exposure by business segment is given in note 31.

32. FINANCIAL RISK MANAGEMENT (continued)

32.1 Credit Risk (continued)

The Group's internal credit rating grading is as follows:

BAJ Internal Grade	Description	Band	PD Lower Bound	PD Upper Bound	Mapping to Moodys Master Scale	Moody's Master Scale Mid-Point PD
1A	Superior	1	0.000%	0.010%	A2	0.0109%
2A	Excellent	2	0.010%	0.015%	A2	0.0109%
2B	Excellent		0.015%	0.023%	A2	0.0109%
2C	Excellent		0.023%	0.035%	A3	0.0389%
3A	Very Good	3	0.035%	0.053%	A3	0.0389%
3B	Very Good		0.053%	0.080%	Baa1	0.0900%
3C	Very Good		0.080%	0.120%	Baa1	0.0900%
4A	Good	4	0.120%	0.190%	Baa2	0.1700%
4B	Good		0.190%	0.280%	Baa2	0.1700%
4C	Good		0.280%	0.430%	Baa3	0.4200%
5A	Acceptable	5	0.430%	0.700%	Baa3	0.4200%
5B	Acceptable		0.700%	1.000%	Ba1	0.8700%
5C	Acceptable		1.000%	1.500%	Ba2	1.5600%
6A	Acceptable with Care	6	1.500%	2.300%	Ba2	1.5600%
6B	Acceptable with Care, Not Rated, Start Up		2.300%	3.500%	Ba3	2.8100%
6C	Acceptable with Care, Watch list		3.500%	5.000%	B1	4.6800%
7A	Special Attention	7	5.000%	8.000%	B2	7.1600%
7B	Special Attention		8.000%	12.000%	B3	11.6200%
7C	Special Attention		12.000%	100.000%	Caa1	17.3816%
8A	Default -Sub-Standard	8	100.000%	100.000%	C	100.0000%
9A	Default -Doubtful	9	100.000%	100.000%	C	100.0000%
9B	Default - Loss		100.000%	100.000%	C	100.0000%

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit quality analysis

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

	December 31, 2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Due from banks and other financial institutions				
Investment grade	**6,451,718**	**-**	**-**	**6,451,718**
Non-investment grade	**7,490**	**175,835**	**-**	**183,325**
Unrated	**70,311**	**-**	**-**	**70,311**
	6,529,519	**175,835**	**-**	**6,705,354**
Allowance for ECL	**(2,053)**	**(6,184)**	**-**	**(8,237)**
Carrying amount	**6,527,466**	**169,651**	**-**	**6,697,117**
Financing to customers at amortized cost				
Low – fair risk	**93,437,785**	**-**	**-**	**93,437,785**
Watch list	**-**	**2,571,824**	**2,229,817**	**4,801,641**
Default	**-**	**-**	**1,202,077**	**1,202,077**
	93,437,785	**2,571,824**	**3,431,894**	**99,441,503**
Allowance for ECL	**(317,382)**	**(282,012)**	**(1,929,613)**	**(2,529,007)**
Carrying amount	**93,120,403**	**2,289,812**	**1,502,281**	**96,912,496**

	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Due from banks and other financial institutions				
Investment grade	5,505,545	-	-	5,505,545
Non-investment grade	11,081	134,034	-	145,115
Unrated	48,740	-	-	48,740
	5,565,366	134,034	-	5,699,400
Allowance for ECL	(2,907)	(4,719)	-	(7,626)
Carrying amount	5,562,459	129,315	-	5,691,774
Financing to customers at amortized cost				
Low – fair risk	76,337,327	-	-	76,337,327
Watch list	-	3,332,655	2,367,566	5,700,221
Default	-	-	1,535,885	1,535,885
	76,337,327	3,332,655	3,903,451	83,573,433
Allowance for ECL	(256,078)	(250,907)	(2,285,547)	(2,792,532)
Carrying amount	76,081,249	3,081,748	1,617,904	80,780,901

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit quality analysis (continued)

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

	December 31, 2024			
Credit cards	**12 month ECL (Stage 1)**	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
		(SR'000)		
Financing to customers at amortized cost				
Low – fair risk	**776,060**	**-**	**-**	**776,060**
Watch list	**-**	**11,152**	**-**	**11,152**
Default	**-**	**-**	**50,724**	**50,724**
	776,060	**11,152**	**50,724**	**837,936**
Allowance for ECL	**(23,270)**	**(731)**	**(47,895)**	**(71,896)**
Carrying amount	**752,790**	**10,421**	**2,829**	**766,040**

	December 31, 2023			
Credit cards	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
		(SR'000)		
Financing to customers at amortized cost				
Low – fair risk	757,897	-	-	757,897
Watch list	-	12,818	-	12,818
Default	-	-	53,873	53,873
	757,897	12,818	53,873	824,588
Allowance for ECL	(22,036)	(829)	(50,564)	(73,429)
Carrying amount	735,861	11,989	3,309	751,159

	December 31, 2024			
Consumer financing	**12 month ECL (Stage 1)**	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
		(SR'000)		
Financing to customers at amortized cost				
Low – fair risk	**33,976,578**	**-**	**-**	**33,976,578**
Watch list	**-**	**234,625**	**-**	**234,625**
Default	**-**	**-**	**231,581**	**231,581**
	33,976,578	**234,625**	**231,581**	**34,442,784**
Allowance for ECL	**(116,191)**	**(1,972)**	**(121,268)**	**(239,431)**
Carrying amount	**33,860,387**	**232,653**	**110,313**	**34,203,353**

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit quality analysis (continued)

Consumer financing	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	28,964,953	-	-	28,964,953
Watch list	-	207,357	-	207,357
Default	-	-	303,447	303,447
	28,964,953	207,357	303,447	29,475,757
Allowance for ECL	(62,585)	(1,624)	(149,874)	(214,083)
Carrying amount	28,902,368	205,733	153,573	29,261,674

Commercial financing	**December 31, 2024**			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	**58,399,170**	**-**	**-**	**58,399,170**
Watch list	**-**	**2,323,170**	**2,229,817**	**4,552,987**
Default	**-**	**-**	**910,885**	**910,885**
	58,399,170	**2,323,170**	**3,140,702**	**63,863,042**
Allowance for ECL	**(177,349)**	**(279,274)**	**(1,756,482)**	**(2,213,105)**
Carrying amount	**58,221,821**	**2,043,896**	**1,384,220**	**61,649,937**

Commercial financing	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	46,322,028	-	-	46,322,028
Watch list	-	3,109,871	2,367,566	5,477,437
Default	-	-	1,171,180	1,171,180
	46,322,028	3,109,871	3,538,746	52,970,645
Allowance for ECL	(170,933)	(248,423)	(2,081,701)	(2,501,057)
Carrying amount	46,151,095	2,861,448	1,457,045	50,469,588

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit quality analysis (continued)

Others	December 31, 2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	**285,977**	**-**	**-**	**285,977**
Watch list	**-**	**2,877**	**-**	**2,877**
Default	**-**	**-**	**8,887**	**8,887**
	285,977	**2,877**	**8,887**	**297,741**
Allowance for ECL	**(572)**	**(35)**	**(3,968)**	**(4,575)**
Carrying amount	**285,405**	**2,842**	**4,919**	**293,166**

Others	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	292,449	-	-	292,449
Watch list	-	2,609	-	2,609
Default	-	-	7,385	7,385
	292,449	2,609	7,385	302,443
Allowance for ECL	(524)	(31)	(3,408)	(3,963)
Carrying amount	291,925	2,578	3,977	298,480

The following table sets out information about the credit quality of debt investments.

	December 31, 2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Debt investment securities at amortized cost				
Low – fair risk	**21,093,972**	**-**	**-**	**21,093,972**
Allowance for ECL	**(10,105)**	**-**	**-**	**(10,105)**
Carrying amount	**21,083,867**	**-**	**-**	**21,083,867**
Debt investment securities at FVOCI				
Low – fair risk	**9,786,433**	**-**	**-**	**9,786,433**
Allowance for ECL	**(1,847)**	**-**	**-**	**(1,847)**
Carrying amount	**9,784,586**	**-**	**-**	**9,784,586**

32. FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit quality analysis (continued)

The following table sets out information about the credit quality of debt investments. (continued)

	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Debt investment securities at amortized cost				
Low – fair risk	20,529,749	-	-	20,529,749
Allowance for ECL	(10,070)	-	-	(10,070)
Carrying amount	20,519,679	-	-	20,519,679
Debt investment securities at FVOCI				
Low – fair risk	9,795,972	-	-	9,795,972
Allowance for ECL	(1,624)	-	-	(1,624)
Carrying amount	9,794,348	-	-	9,794,348

The following table sets out information about the credit quality of Commitments and contingencies.

	December 31, 2024			
	12 month ECL (Stage 1)	**Life time ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	(SR'000)			
Commitments and contingencies				
Low – fair risk	**17,283,933**	**-**	**-**	**17,283,933**
Watch list	**-**	**486,381**	**28,643**	**515,024**
Default	**-**	**-**	**505,302**	**505,302**
	17,283,933	**486,381**	**533,945**	**18,304,259**
Allowance for ECL	**(52,487)**	**(2,059)**	**(296,706)**	**(351,252)**
Carrying amount (net of provision)	**17,231,446**	**484,322**	**237,239**	**17,953,007**

	December 31, 2023			
	12 month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	(SR'000)			
Commitments and contingencies				
Low – fair risk	13,187,483	-	-	13,187,483
Watch list	-	48,116	419,042	467,158
Default	-	-	100,640	100,640
	13,187,483	48,116	519,682	13,755,281
Allowance for ECL	(44,753)	(301)	(284,757)	(329,811)
Carrying amount (net of provision)	13,142,730	47,815	234,925	13,425,470

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk (“SICR”)

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group classifies it’s financing into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1 (12 month ECL) : When a financing is first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 financing also include facilities where the credit risk has improved and the financing has been reclassified from Stage 2.

Stage 2 (Life time ECL not credit impaired) : When a financing has shown a significant increase in credit risk (“SICR”) since origination, the Group records an allowance for the Lifetime ECL. Stage 2 financing also include facilities, where the credit risk has improved and the financing has been reclassified from Stage 3.

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

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

a) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

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. Significant increase in credit risk is also evaluated based on the credit monitoring framework, including decrease in internal rating and macroeconomic factors and is subject to management overrides.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify SICR by regular reviews to confirm that:
- the criteria are capable of identifying SICR before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in ECL from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

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

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

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

Corporate exposures
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Retail exposures
- Internally collected data and customer behaviour – e.g. utilization of credit card facilities
- Affordability metrics
- External data from credit reference agencies including industry-standard credit scores

All exposures
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

b) 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 analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

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

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

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

c) Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Group considers indicators that are:

- qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

d) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financings to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, financing 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 profit payments and amending the terms of financing covenants. Both consumer and commercial financing are subject to the forbearance/remedial policy. The Bank Board Risk Committee regularly reviews reports on forbearance activities.

The following tables refer to modified financial assets where modification does not result in derecognition.

	2024 **SR '000**	2023 SR '000
Financial assets (with loss allowance based on lifetime ECL) modified during the year		
Gross carrying amount before modification	**97,098**	344,870
Loss allowance before modification	**(6,085)**	(24,828)
Net amortised cost before modification	**91,013**	320,042
Net modification gain	**-**	-
Net amortised cost after modification	**91,013**	320,042
Financial assets modified since initial recognition at a time when loss allowance was based on lifetime ECL		
Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL	**69,661**	19,487

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 profit and principal and the Bank'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 behavioural indicators.

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

d) Modified financial assets (continued)

Generally, forbearance is a qualitative indicator of a SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the ECL reverts to being measured at an amount equal to 12-month ECL.

e) 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 Bank Market Risk Policy Committee, Asset and Liability Committee ("ALCO") and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Saudi Arabia and selected private-sector and academic forecasters.

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

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at December 31, 2023 included the following key indicators.

- GDP
- Oil prices
- Unemployment rates
- Real wages / inflation rate

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

Economic Indicators	Forecast calendar years used in 2024 ECL model			Forecast calendar years used in 2023 ECL model		
	2025	**2026**	**2027**	**2024**	**2025**	**2026**
GDP	3,636.36	3,730.11	2,588.65	2,913.47	3,115.55	3,214.70
Brent oil prices	68.83	66.85	68.57	81.54	80.01	73.83

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

e) Incorporation of forward looking information (continued)

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

2024	**Due from Banks and investments**	**Financing**	**credit related commitment and financial guarantees**	**Total**
		SR '000'		
Most likely	**20,189**	**2,529,007**	**351,252**	**2,900,448**
More optimistic (Baseline)	**20,238**	**2,531,769**	**353,607**	**2,905,614**
More optimistic (Upside)	**20,205**	**2,459,636**	**344,460**	**2,824,301**
More pessimistic (Downside)	**20,298**	**2,608,264**	**362,593**	**2,991,155**

2023	Due from Banks and investments	Financing	credit related commitment and financial guarantees	Total
		SR '000'		
Most likely	19,320	2,792,532	329,811	3,141,663
More optimistic (Baseline)	19,343	3,015,960	332,897	3,368,200
More optimistic (Upside)	19,203	2,791,184	326,848	3,137,235
More pessimistic (Downside)	19,363	3,076,876	345,592	3,441,831

The weightage for Baseline, Upside and Downside scenario is 40%, 30% and 30% respectively.

f) Measurement of ECL

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

i. probability of default (PD);
ii. loss given default (LGD);
iii. exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally 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 for each line of business based on expert judgment and historical experience The Group has made an assessment of the data driven approaches for LGD. However, on account of data limitations and associated challenges, the Group uses regulatory LGD benchmarks, based on Basel guidelines and LGD estimates determined in line with National Credit Data Pooling Consortium report.

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

f) Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) 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 credit related commitment or guarantee.

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

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

Assumptions sensitized	**2024** **SR '000**	2023 SR '000
Statement of income Impact		
Macro-economic factors:		
Decrease in $10 oil price per barrel	**56,807**	64,475
Decrease in $20 oil price per barrel	**68,758**	79,349
Decrease in GDP by 5%	**53,096**	60,136
Increase in inflation by 10%	**N/A**	N/A

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

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

32. FINANCIAL RISK MANAGEMENT (continued)

32.3 Amounts arising from ECL – Significant increase in credit risk ("SICR") (continued)

f) Measurement of ECL (continued)

The Grouping is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

		External benchmarks used	
	Exposure (SR '000)	PD	LGD
Due from Banks and other financial institutions	**6,705,354**	Moody's / FITCH / S&P – lower of the two ratings for each bank is considered for assignment of Risk Weights under Standardised Approach	N/A

32.4 Ageing of financing (past due but not impaired)

	2024 (SR '000)			
	Credit Cards	**Consumer financing**	**Commercial financing**	**Total**
From 1 day to 30 days	**19,814**	**849,098**	**542,521**	**1,411,433**
From 31 Days to 90 days	**8,527**	**307,900**	**141,348**	**457,775**
From 91 Days to 180 days	**-**	**5,354**	**20,169**	**25,523**
More than 180 days	**-**	**8,627**	**859,205**	**867,832**
Total financing	**28,341**	**1,170,979**	**1,563,243**	**2,762,563**

	2023 (SR '000)			
	Credit Cards	Consumer financing	Commercial financing	Total
From 1 day to 30 days	15,783	836,047	22,657	874,487
From 31 Days to 90 days	9,620	176,106	10,432	196,158
From 91 Days to 180 days	-	-	121,023	121,023
More than 180 days	-	3,823	1,073,808	1,077,631
Total financing	25,403	1,015,976	1,227,920	2,269,299

32.5 Economic Sector risk concentration

Economic Sector risk concentration for the financing and allowance for impairment has been disclosed in note 7(g).

32. FINANCIAL RISK MANAGEMENT (continued)

32.6 Collateral

The Group in the ordinary course of financing activities holds collaterals as security to mitigate credit risk in the financing. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer financings and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for financing along with financing to collateral value percentage that are credit-impaired are as follows:

	2024 SR'000	2023 SR'000
Less than 50%	**28,965**	104,339
51-70%	**36,393**	42,927
More than 70%	**764,554**	1,132,791
Total	**829,912**	1,280,057

32.7 Maximum credit exposure

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

	2024 SR'000	2023 SR'000
Assets		
Due from banks and other financial institutions (note 5)	**6,697,117**	5,691,774
Investments at FVOCI (note 6)	**9,784,586**	9,794,348
Investments at amortised cost (note 6)	**21,083,867**	20,519,679
Financing, net (note 7)	**96,912,496**	80,780,901
Other assets - margin deposits against financial instruments (note 8)	**2,028**	-
Total assets	**134,480,094**	116,786,702
Contingencies and commitments, net (note 20)	**17,953,007**	13,425,470
Derivatives - positive fair value (note 11)	**151,737**	222,508
Total maximum exposure	**152,584,838**	130,434,680

33. GEOGRAPHICAL CONCENTRATION

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

	(SR'000)						
2024	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Financial Assets							
Cash and balances with SAMA							
Cash in hand	688,914	-	-	-	-	-	688,914
Balances with SAMA	5,429,455	-	-	-	-	-	5,429,455
Due from Banks and other financial institutions							
Current accounts	9	45,620	167,654	164,623	12,839	13,773	404,518
Money market placements	6,292,599	-	-	-	-	-	6,292,599
Reverse repos	-	-	-	-	-	-	-
Investments							
Held as FVIS	607,238	18,839	1,875	1,166,666	-	-	1,794,618
Held as FVOCI	13,107,636	206,360	1,242	-	-	-	13,315,238
Held at amortised cost	20,701,532	-	382,335	-	-	-	21,083,867
Positive fair value of derivatives							
Held for trading	53,064	15,642	26,345	-	-	-	95,051
Held as cash flow hedges	8,571	32,294	15,821	-	-	-	56,686
Financing, net							
Credit Cards	766,040	-	-	-	-	-	766,040
Consumer Financing	34,203,353	-	-	-	-	-	34,203,353
Commercial Financing	60,420,703	1,155,981	73,253	-	-	-	61,649,937
Others	293,166	-	-	-	-	-	293,166
Other assets	1,009,258	-	2,028	-	-	-	1,011,286
Investment in an associate	323,716	-	-	-	-	-	323,716
Total	143,905,254	1,474,736	670,553	1,331,289	12,839	13,773	147,408,444

33. GEOGRAPHICAL CONCENTRATION (continued)

(SR'000)

2024	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Financial liabilities							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	182,955	72,840	15,397	214	13	24,684	296,103
Money market deposits	6,981,592	649,958	-	-	444,687	364,286	8,440,523
Repurchase agreement borrowing	9,415,137	-	1,157,570	-	-	-	10,572,707
Customer deposits							
Demand	34,560,929	3,560	77	-	-	77	34,564,643
Saving & call	11,114,104	-	-	-	-	-	11,114,104
Customers' time investments	60,193,863	-	-	-	-	-	60,193,863
Other	2,287,367	10,309	3,906	-	-	12,322	2,313,904
Negative fair value of derivatives							
Held for trading	40,160	34,367	15,898	-	-	-	90,425
Held as cash flow hedges	32,500	23,250	18,824	-	-	-	74,574
Subordinated Sukuk	2,005,918	-	-	-	-	-	2,005,918
Other liabilities	1,210,750	-	-	-	-	-	1,210,750
Total	128,025,275	794,284	1,211,672	214	444,700	401,369	130,877,514
Commitments and Contingencies							
Letters of credit	2,149,331	389,433	4,448	-	-	336,906	2,880,118
Letters of guarantee	7,076,916	1,911,766	1,534,219	26,240	-	1,674,412	12,223,553
Acceptances	950,028	1,326	5,128	-	-	151,777	1,108,259
Irrevocable commitments to extend credit	1,950,510	-	141,819	-	-	-	2,092,329
	12,126,785	2,302,525	1,685,614	26,240	-	2,163,095	18,304,259
Credit exposure (credit equivalent)							
Commitments and contingencies							
Letters of credit	1,074,665	194,717	2,224	-	-	168,453	1,440,059
Letters of guarantee	7,076,916	1,911,766	1,534,219	26,240	-	1,674,412	12,223,553
Acceptances	950,028	1,326	5,128	-	-	151,777	1,108,259
Irrevocable commitments to extend credit	780,204	-	56,728	-	-	-	836,932
Derivatives							
Held for trading	163,461	177,593	88,463	-	-	-	429,517
Held for hedging	20,467	166,815	47,861	-	-	-	235,143
	10,065,741	2,452,217	1,734,623	26,240	-	1,994,642	16,273,463

33. GEOGRAPHICAL CONCENTRATION (continued)

2023	(SR'000) Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Financial Assets							
Cash and balances with SAMA							
Cash in hand	747,623	-	-	-	-	-	747,623
Balances with SAMA	5,093,070	-	-	-	-	-	5,093,070
Due from Banks and other financial institutions							
Current accounts	24	54,724	134,905	281,599	12,290	20,342	503,884
Money market placements	4,229,905	-	-	-	-	-	4,229,905
Reverse repos	957,985	-	-	-	-	-	957,985
Investments							
Held as FVIS	157,781	20,487	-	1,305,860	-	-	1,484,128
Held as FVOCI	12,240,283	197,267	933				12,438,483
Held at amortised cost	20,137,321	-	382,358	-	-	-	20,519,679
Positive fair value of derivatives							
Held for trading	62,214	11,119	44,382	-	-	-	117,715
Held as cash flow hedges	42,742	36,797	25,254	-	-	-	104,793
Financing, net							
Credit Cards	751,159	-	-	-	-	-	751,159
Consumer Financing	29,261,674	-	-	-	-	-	29,261,674
Commercial Financing	50,467,106	2,482	-	-	-	-	50,469,588
Others	298,480	-	-	-	-	-	298,480
Other assets	635,943	-	-	-	-	-	635,943
Investment in an associate	243,011	-	-	-	-	-	243,011
Total	125,326,321	322,876	587,832	1,587,459	12,290	20,342	127,857,120

33. GEOGRAPHICAL CONCENTRATION (continued)

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
	(SR'000)						
Financial liabilities							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	85,709	80,151	18,867	224	-	25,493	210,444
Money market deposits	4,308,082	-	-	-	-	-	4,308,082
Repurchase agreement borrowing	10,174,829	-	292,378	-	-	-	10,467,207
Customer deposits							
Demand	33,409,003	1,981	42	-	-	62	33,411,088
Saving & call	2,045,058	-	-	-	-	-	2,045,058
Customers' time investments	56,491,816	-	-	-	-	-	56,491,816
Other	2,046,964	3,384	51,257	-	-	4,834	2,106,439
Negative fair value of derivatives							
Held for trading	57,740	33,664	34,446	-	-	-	125,850
Held as cash flow hedges	5,802	7,879	7,530	-	-	-	21,211
Subordinated Sukuk	2,004,346	-	-	-	-	-	2,004,346
Other liabilities	1,130,012	-	-	-	-	-	1,130,012
Total	111,759,361	127,059	404,520	224	-	30,389	112,321,553
Commitments and Contingencies							
Letters of credit	2,291,678	290,449	70,637	-	-	355,384	3,008,148
Letters of guarantee	6,243,056	1,152,968	485,068	52,256	1,125	770,718	8,705,191
Acceptances	863,164	21,570	1,362	-	-	17,357	903,453
Irrevocable commitments to extend credit	841,436	297,053	-	-	-	-	1,138,489
	10,239,334	1,762,040	557,067	52,256	1,125	1,143,459	13,755,281
Credit exposure (credit equivalent)							
Commitments and contingencies							
Letters of credit	1,145,838	145,225	35,319	-	-	177,692	1,504,074
Letters of guarantee	6,243,056	1,152,968	485,068	52,256	1,125	770,718	8,705,191
Acceptances	863,164	21,570	1,362	-	-	17,357	903,453
Irrevocable commitments to extend credit	336,574	118,821	-	-	-	-	455,395
Derivatives							
Held for trading	220,633	65,963	107,180	-	-	-	393,776
Held for hedging	66,389	82,249	54,648	-	-	-	203,286
	8,875,654	1,586,796	683,577	52,256	1,125	965,767	12,165,175

Certain international mutual funds domicile in the Kingdom of Saudi Arabia that have been classified under international category in note 6(b) to these consolidated financial statements have been classified in the Kingdom of Saudi Arabia region for the purpose of this note.

Credit equivalent of commitments and contingencies is calculated according to SAMA's prescribed methodology.

33. GEOGRAPHICAL CONCENTRATION (continued)

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

	Non-performing financing, net		Allowance for impairment	
	2024	2023	**2024**	2023
	SR' 000	SR' 000	**SR' 000**	SR' 000
Kingdom of Saudi Arabia				
Credit cards	**50,724**	53,873	**71,896**	73,429
Consumer financing	**231,581**	303,447	**239,431**	214,083
Commercial financing	**910,885**	1,171,180	**2,211,435**	2,501,056
Others	**8,887**	7,385	**4,575**	3,963
GCC and Middle East	**1,202,077**	1,535,885	**2,527,337**	2,792,531
Commercial financing	-	-	**1,596**	1
Europe				
Commercial financing	-	-	**74**	-
Total	**1,202,077**	1,535,885	**2,529,007**	2,792,532

34. MARKET RISK

Market risk is the risk that the Group's earnings or capital, or its ability to meet business targets, will be adversely affected by changes in the level or volatility in market prices, such as profit rates, credit spreads (not relating to changes in the obligor's / issuer's credit standing), equity prices and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury division and include equity investments and mutual funds that are managed on a fair value basis.

The Board of Directors (BoD) approves market risk appetite for trading and non-trading activities. The Market Risk Policy Committee is responsible for the Market Risk Framework and under the delegated authority of the Board sets a limits framework within the approved market risk appetite. A daily market risk report details the Group's market risk exposures against agreed limits. This daily report is reviewed by the Treasurer and Chief Risk Officer. The market risk for the trading book is managed and monitored using Value at Risk (VaR) methodology and sensitivity analysis. The market risk for the non-trading book is managed and monitored using sensitivity analysis.

a) MARKET RISK - TRADING BOOK

Market risk on trading mainly arises from the foreign currency exposures and changes in equity prices and the net asset values of mutual funds.

The Board has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group periodically applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

34. MARKET RISK (continued)

a) MARKET RISK - TRADING BOOK (continued)

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses historical methodology models to assess the possible changes in the market value of the trading book based on historical data. The VaR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days.

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

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Bank's Board Risk Committee for their review.

The Group's VaR related information is as under.

	2024 **SR'000**	2023 SR'000
Foreign exchange rate		
VaR as at end of the year	**33**	441
Minimum VaR	**88**	91
Maximum VaR	**2,340**	2,601
Average VaR for the year	**330**	993

i) FOREIGN EXCHANGE 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 financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored daily to ensure positions are maintained within established limits.

At the end of the year, the Group has the following significant exposure in its trading book, denominated in foreign currencies as at December 31:

	2024 **SR'000**	2023 SR'000
US Dollar	**1,297,013**	1,281,461
Australian dollars	**-**	110,222
Pound Sterling	**57,536**	64,339
Hong Kong Dollar	**-**	2,275
Taiwan Dollar	**588**	3,286
UAE Dirhams	**19,263**	-
Indonesian Rupiah	**2,376**	-
South Korean Won	**8,612**	-

The table below indicates the extent to which the Group was exposed to currency risk at December 31, on its foreign currency positions. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. A negative amount in the table reflects a

34. MARKET RISK (continued)

a) MARKET RISK - TRADING BOOK (continued)

i) FOREIGN EXCHANGE RISK (continued)

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 that might be taken by the Group to mitigate the effect of such changes.

Currency	**2024**		2023	
	Increase/ decrease in currency rate in %	**Effect on net income SR'000**	Increase/ decrease in currency rate in %	Effect on net income SR'000
US Dollar	**± 2.80**	**36,316**	± 0.06	± 769
Australian dollars	**-**	**-**	± 5.77	± 6,360
Pound Sterling	**± 2.72**	**1,565**	± 5.12	±3,294
Taiwan Dollar	**± 3.23**	**19**	±14.96	± 492
Hong Kong Dollar	**-**	**-**	± 3.95	± 90
UAE Dirhams	**± 0.50**	**96**	-	-
Indonesian Rupiah	**± 16.50**	**392**	-	-
South Korean Won	**± 6.41**	**552**	-	-

ii) EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities and mutual funds decrease as a result of changes in the levels of equity index and the value of individual stocks deriving the net asset value of the funds.

The financial instruments included in the FVIS portfolio are equity securities held by mutual funds owned by the Group. The Group manages the risk relating to the mutual funds by monitoring changes in net asset value of the mutual funds. The investments in equity securities and mutual funds held by the Group are managed by the Group in conjunction with professional investment advisors, and the equity price risk is monitored by the Group on a portfolio basis for each mutual fund. The effect on the consolidated statement of income as a result of a change in the fair value of mutual funds held under FVIS at December 31 due to reasonably possible changes in the underlying respective fund's net asset value, with all other variables held constant, is as follows:

	2024		2023	
Portfolio	**Increase / decrease in equity price %**	**Effect on consolidated statement of income SR'000**	Increase / decrease in equity price %	Effect on consolidated statement of income SR'000
Global Emerging Market Fund	**±10.32%**	**255**	±10.99%	± 1,389
AlJazira GCC Income Fund	**± 3.97%**	**84**	±16.87%	± 1,348
AlJazira Sukuk Fund	**± 3.43%**	**1,245**	±5.53%	± 1,956
Diversified Conservative Fund	**± 0.58%**	**225**	±14.21%	± 5,147
Aljazira Saudi Equities Fund	**± 0.58%**	**44**	-	-
Aljazira International Equities Fund	**± 10.32%**	**1,327**	-	-
Others	**± 5.00%**	**82,393**	± 5.00%	± 68,571

34. MARKET RISK (continued)

a) MARKET RISK - TRADING BOOK (continued)

The effect on the consolidated statement of income as a result of a change in the fair value of equity instruments held at FVIS at December 31, 2024 due to reasonably possible changes in the following market index, with all other variables held constant, is as follows:

ii) EQUITY PRICE RISK (continued)

	2024		2023	
Market index	**Increase / decrease in index %**	**Effect on consolidated statement of income SR'000**	Increase / decrease in index %	Effect on consolidated statement of income SR'000
Tadawul	**0.58%**	**100**	-	-

b) MARKET RISK – NON TRADING OR BANKING BOOK

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

i) PROFIT RATE RISK

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group's Market Risk Policy Committee (MRPC) has established limits on the profit rate gap. Positions are monitored on a daily basis and reported regularly to senior management and MRPC to ensure positions are maintained within the established limits. In case of stressed market conditions, the asset-liability gap may be reported to MRPC more frequently.

The following table depicts the sensitivity due to reasonably possible changes in profit rates, with other variables held constant, on the Group's consolidated statement of income. The sensitivity of the income is the effect of the assumed changes in profit rates on the net financing and investment income for one year, based on the profit bearing non-trading financial assets and financial liabilities held as at December 31, 2024 including the effect of hedging instruments. All the non-trading book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) PROFIT RATE RISK (continued)

Currency	**2024** Increase / decrease in basis points	**2024** Sensitivity of income from investments and financing SR'000	2023 Increase / decrease in basis points	2023 Sensitivity of income from investments and financing SR'000
SR	**± 25**	**±138,035**	± 25	±32,254
USD	**± 25**	**± 23,213**	± 25	± 6,859
INR	**± 25**	**± 2**	± 25	± 3
PKR	**± 25**	**± 1**	± 25	± -
AED	**± 25**	**± 119**	± 25	± 221

2024

Currency	**Increase in basis points**	**Sensitivity income from investments and financing**	**Sensitivity of equity** 6 months or less	1 year or less	1-5 years or less	Over 5 years	**Total**
SR	**± 25**	**±138,035**	**±82,785**	**±55,250**	**±238,358**	**±180,846**	**±557,239**
USD	**± 25**	**± 23,213**	**±11,785**	**±11,428**	**±31,765**	**±259**	**± 55,237**
INR	**± 25**	**± 2**	**± 2**	**± -**	**± -**	**± -**	**± 2**
PKR	**± 25**	**± 1**	**± 1**	**± -**	**± -**	**± -**	**± 1**
AED	**± 25**	**± 119**	**± 68**	**± 51**	**± 311**	**± 120**	**± 550**

2023

Currency	**Increase in basis points**	**Sensitivity income from investments and financing**	**Sensitivity of equity** 6 months or less	1 year or less	1-5 years or less	Over 5 years	**Total**
SR	± 25	±32,254	±18,337	±13,917	±28,958	±125,500	±186,712
USD	± 25	± 6,859	± 3,245	± 3,615	±16,362	± 1,934	± 25,156
INR	± 25	± 3	± 3	± -	± -	± -	± 3
PKR	± 25	± -	± -	± -	± -	± -	± -
AED	± 25	± 221	± 127	± 94	± 578	± 221	± 1,020

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) PROFIT RATE RISK (continued)

Profit 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 profit rates on its financial position and cash flows.

The table below summarizes the Group's exposure to profit 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 is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

	(SR'000)						
2024	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non profit bearing**	**Total**	**Effective profit rate**
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	688,914	688,914	-
Balances with SAMA	-	-	-	-	5,429,455	5,429,455	-
Due from Banks and other financial institutions							
Current accounts	-	-	-	-	404,518	404,518	-
Money market placements	2,391,250	3,800,000	-	-	101,349	6,292,599	5.69%
Reverse repos	-	-	-	-	-	-	
Investments							
Held as FVIS	-	3,993	-		1,790,625	1,794,618	
Held as FVOCI	980,036	16,875	4,803,671	6,860,726	653,930	13,315,238	3.77%
Held at amortised cost	1,857,194	2,927,535	6,402,304	9,652,273	244,561	21,083,867	4.44%
Positive fair value of derivatives							
Held for trading	-	-	-	-	95,051	95,051	-
Held as cash flow hedges	-	-	-	-	56,686	56,686	-
Financing, net							
Credit cards	766,040	-	-	-	-	766,040	29.87%
Consumer Financing	25,587	321,321	12,914,288	20,839,729	102,428	34,203,353	4.93%
Commercial Financing	27,474,880	26,187,620	6,702,231	51,104	1,234,102	61,649,937	7.21%
Others	-	-	-	-	293,166	293,166	-
Other assets	-	-	-	-	1,111,117	1,111,117	-
Investment in an associate	-	-	-	-	323,716	323,716	-
Other real estate, net	-	-	-	-	139,717	139,717	-
Property, equipment, software and right of use assets, net	-	-	-	-	1,258,076	1,258,076	-
Total assets	33,494,987	33,257,344	30,822,494	37,403,832	13,927,411	148,906,068	

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) PROFIT RATE RISK (continued)

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

	(SR'000)						
2024	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
Liabilities and equity							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	-	-	-	-	296,103	296,103	-
Money market deposits	4,401,000	2,545,000	-	-	1,494,523	8,440,523	5.39%
Repurchase agreement borrowings	9,732,568	797,269	-	-	42,870	10,572,707	5.32%
Customer deposits							
Demand					34,564,643	34,564,643	
Saving & call	11,114,104	-	-	-	-	11,114,104	5.06%
Customers' time investments	34,983,824	24,543,033	82,450	-	584,556	60,193,863	5.77%
Other	-	-	-	-	2,313,904	2,313,904	
Negative fair value of derivatives							
Held for trading	-	-	-	-	90,425	90,425	
Held as cash flow hedges	-	-	-	-	74,574	74,574	
Subordinated Sukuk	-	1,996,663	-	-	9,255	2,005,918	
Other liabilities	-	-	-	-	2,037,607	2,037,607	
Equity	-	-	-	-	17,201,697	17,201,697	
Total liabilities and Equity	60,231,496	29,881,965	82,450	-	58,710,157	148,906,068	
Profit rate sensitivity of on consolidated statement of financial position gap	(26,736,509)	3,375,379	30,740,044	37,403,832	(44,782,746)	-	
Profit rate sensitivity of off consolidated statement of financial position gap	12,787,500	(250,000)	(3,650,000)	(8,887,500)	-	-	
Total profit rate sensitivity gap	(13,949,009)	3,125,379	27,090,044	28,516,332	(44,782,746)	-	
Cumulative profit rate sensitivity gap	(13,949,009)	(10,823,630)	16,266,414	44,782,746	-	-	

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) PROFIT RATE RISK (continued)

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

	(SR'000)						
2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	747,623	747,623	-
Balances with SAMA	419,936	-	-	-	4,673,134	5,093,070	5.50%
Due from Banks and other financial institutions							
Current accounts	-	-	-	-	503,884	503,884	-
Money market placements	1,181,250	3,000,000	-	-	48,655	4,229,905	6.02%
Reverse repos	-	900,000	-	-	57,985	957,985	5.55%
Investments							
Held as FVIS	-	-	-	-	1,484,128	1,484,128	-
Held as FVOCI	780,000	-	3,516,109	8,019,924	122,450	12,438,483	3.70%
Held at amortised cost	5,085,835	749,801	6,267,243	8,210,311	206,489	20,519,679	4.60%
Positive fair value of derivatives							
Held for trading	-	-	-	-	117,715	117,715	-
Held as cash flow hedges	-	-	-	-	104,793	104,793	-
Financing, net							
Credit cards	751,159	-	-	-	-	751,159	25.64%
Consumer Financing	26,490	186,475	11,903,945	17,049,319	95,445	29,261,674	4.36%
Commercial Financing	25,345,968	24,117,204	-	-	1,006,416	50,469,588	7.66%
Others	-	-	-	-	298,480	298,480	-
Other assets	-	-	-	-	719,449	719,449	-
Investment in an associate	-	-	-	-	243,011	243,011	-
Other real estate, net	-	-	-	-	498,986	498,986	-
Property, equipment, software and right of use assets, net	-	-	-	-	1,111,165	1,111,165	-
Total assets	33,590,638	28,953,480	21,687,297	33,279,554	12,039,808	129,550,777	

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) PROFIT RATE RISK (continued)

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

	(SR'000)						
2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
Liabilities and equity							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	-	-	-	-	210,444	210,444	-
Money market deposits	2,875,000	-	-	-	1,433,082	4,308,082	5.96%
Repurchase agreement borrowings	9,118,953	1,232,735	-	-	115,519	10,467,207	6.13%
Customer deposits							
Demand	-	-	-	-	33,411,088	33,411,088	-
Saving & call	2,045,058	-	-	-	-	2,045,058	3.79%
Customers' time investments	38,360,816	17,120,097	485,673	-	525,230	56,491,816	6.04%
Other	-	-	-	-	2,106,439	2,106,439	-
Negative fair value of derivatives							
Held for trading	-	-	-	-	125,850	125,850	-
Held as cash flow hedges	-	-	-	-	21,211	21,211	-
Subordinated Sukuk	-	1,994,921	-	-	9,425	2,004,346	7.71%
Other liabilities	-	-	-	-	1,943,742	1,943,742	-
Equity	-	-	-	-	16,415,494	16,415,494	-
Total liabilities and Equity	52,399,827	20,347,753	485,673	-	56,317,524	129,550,777	
Profit rate sensitivity of on consolidated statement of financial position gap	(18,809,189)	8,605,727	21,201,624	33,279,554	(44,277,716)	-	
Profit rate sensitivity of off consolidated statement of financial position gap	2,109,375	1,934,375	(2,400,000)	(1,643,750)	-	-	
Total profit rate sensitivity gap	(16,699,814)	10,540,102	18,801,624	31,635,804	(44,277,716)	-	
Cumulative profit rate sensitivity gap	(16,699,814)	(6,159,712)	12,641,912	44,277,716	-	-	

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

34. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

ii) 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 financial position and cash flows. The Bank's Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

At the end of the year, the Group has the following significant net exposures denominated in foreign currencies as at December 31:

	2024 SR' 000 Long / (Short)	2023 SR'000 Long /(Short)
USD	**32,769**	1,324,679
AUD	**4,136**	86,820
GBP	**1,209**	69,515
INR	**8,625**	11,955
PKR	**2,852**	111
AED	**36,335**	31,562

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 currencies to which the Group has significant exposure as at December 31, 2024. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. 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 that might be taken by the Group to mitigate the effect of such changes.

Currency	**2024**			2023		
	Increase / decrease in currency rate in %	**Effect on net income SR'000**	**Effect on equity SR'000**	Increase/ decrease in currency rate in %	Effect on net income SR'000	Effect on equity SR'000
USD	±0.05	±16	±16	±0.05	±662	± 662
AUD	±0.05	± 2	± 2	±0.05	± 43	± 43
GBP	±0.05	± 1	± 1	±0.05	± 35	± 35
INR	±0.05	± 4	± 4	±0.05	± 6	± 6
PKR	±0.05	± 1	± 1	-	-	-
AED	±0.05	±18	±18	±0.05	± 16	± 16

35. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they become due, both under normal and stressful conditions. Market disruptions or credit downgrades can cause liquidity risk, making certain sources of funding less readily available. To mitigate this risk, management has diversified its funding sources beyond its core deposit base, manages assets with a focus on liquidity, maintaining an appropriate balance of cash, cash equivalents, and readily marketable securities, and monitors future cash flows and liquidity on a daily basis. In addition, the Group has committed lines of credit that can be used to meet any liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA at 7% of total demand deposits and 4% of savings and time deposits. In addition to the statutory deposit, the Group also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash or assets that can be converted into cash within a period not exceeding 30 days. The Group has the ability to raise additional funds through repo facilities available with SAMA up to 98% of the value of debt securities issued by the government and 90% of the value of debt securities issued Ministry of Finance, Saudi Central Bank and or guaranteed by government.

In addition, the Group keeps a Liquidity Contingency Funding Plan (CFP) in place to provide guidance to senior management. The CFP establishes early warning indicators to alert management of impending stress, establishes responsibilities, and describes the approach management may take at various stages of crisis severity.

a) Analysis of financial liabilities by remaining undiscounted contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2024 and December 31, 2023 based on contractual undiscounted repayment obligations. As profit payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities as shown in note (b) 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 and liquidity risk management policy.

35. LIQUIDITY RISK (continued)

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

	(SR' 000)						
	On demand	within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities							
As at December 31, 2024							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	**296,103**	**-**	**-**	**-**	**-**	**-**	**296,103**
Money market deposits	**-**	**5,568,872**	**2,999,841**	**-**	**-**	**-**	**8,568,713**
Repurchase agreement borrowings	**-**	**9,856,920**	**522,809**	**342,070**	**-**	**-**	**10,721,799**
Customers' deposits							
Demand	**34,564,643**	**-**	**-**	**-**	**-**	**-**	**34,564,643**
Saving & call	**11,114,104**	**-**	**-**	**-**	**-**	**-**	**11,114,104**
Customers' time investments	**-**	**43,557,745**	**17,221,705**	**93,897**	**-**	**-**	**60,873,347**
Other	**2,313,904**	**-**	**-**	**-**	**-**	**-**	**2,313,904**
Negative fair value of derivatives							
Held for trading	**-**	**8,937**	**21,651**	**19,531**	**40,306**	**-**	**90,425**
Held as cash flow hedges	**-**	**36,593**	**-**	**-**	**37,981**	**-**	**74,574**
Subordinated Sukuk	**-**	**-**	**140,005**	**559,744**	**2,284,375**	**-**	**2,984,124**
Other liabilities	**-**	**13,194**	**52,763**	**108,494**	**26,902**	**1,859,786**	**2,061,139**
Total undiscounted financial liabilities	**48,288,754**	**59,042,261**	**20,958,774**	**1,123,736**	**2,389,564**	**1,859,786**	**133,662,875**
Shari'ah compliant derivatives	**-**	**1,944,704**	**3,199,068**	**6,240,401**	**3,157,403**	**-**	**14,541,576**

	(SR' 000)						
	On demand	within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities							
As at December 31, 2023							
Due to banks, Saudi Central Bank and other financial institutions							
Current accounts	210,444	-	-	-	-	-	210,444
Money market deposits	-	2,909,070	-	1,424,833	-	-	4,333,903
Repurchase agreement borrowings	-	9,250,000	1,019,167	337,278	-	-	10,606,445
Customers' deposits							
Demand	33,411,088	-	-	-	-	-	33,411,088
Saving & call	2,045,058	-	-	-	-	-	2,045,058
Customers' time investments	-	38,856,402	17,875,888	536,214	-	-	57,268,504
Other	2,106,439	-	-	-	-	-	2,106,439
Negative fair value of derivatives							
Held for trading	-	23,586	1,929	68,064	32,271	-	125,850
Held as cash flow hedges	-	15,295	-	5,916	-	-	21,211
Subordinated Sukuk	-	-	147,217	511,076	2,397,921	-	3,056,214
Other liabilities	-	17,284	50,424	129,691	23,280	1,746,369	1,967,048
Total undiscounted financial liabilities	37,773,029	51,071,637	19,094,625	3,013,072	2,453,472	1,746,369	115,152,204
Shari'ah compliant derivatives	-	3,056,605	1,320,367	6,850,528	1,865,139	-	13,092,639

The contractual maturity structure of the Group's credit-related contingencies and commitments are shown under note 20 (c).

35. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. For presentation purposes demand deposits are included in "No fixed maturity" category.

(SR' 000)

2024	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Assets								
Cash and balances with SAMA								
Cash in hand	-	-	-	-	-	-	688,914	688,914
Balances with SAMA	-	-	-	-	-	-	5,429,455	5,429,455
Due from Banks and other financial institutions								
Current accounts	-	-	-	-	-	-	404,518	404,518
Money market placements	2,439,715	3,852,884	6,292,599	-	-	-	-	6,292,599
Reverse repos	-	-	-	-	-	-	-	-
Investments								
Held as FVIS	-	3,993	3,993	-	-	-	1,790,625	1,794,618
Held as FVOCI	116,480	23,087	139,567	5,783,671	6,860,726	12,644,397	531,274	13,315,238
Held at amortised cost	333,748	582,312	916,060	8,248,772	11,919,035	20,167,807		21,083,867
Positive fair value of derivatives								
Held for trading	9,330	20,475	29,805	19,003	46,243	65,246	-	95,051
Held as cash flow hedges	35,369	-	35,369	-	21,317	21,317	-	56,686
Financing, net								
Credit cards	354,688		354,688				411,352	766,040
Consumer financing	128,015	321,321	449,336	12,914,288	20,839,729	33,754,017	-	34,203,353
Commercial financing	20,846,280	13,170,196	34,016,476	18,689,987	8,943,474	27,633,461	-	61,649,937
Others	-	293,152	293,152	14		14	-	293,166
Other assets	49,451	148,354	197,805	-	-	-	913,312	1,111,117
Investment in an associate	-	-	-	-	-	-	323,716	323,716
Other real estate, net	-	-	-	-	-	-	139,717	139,717
Property, equipment, software and right of use assets, net	-	-	-	-	-	-	1,258,076	1,258,076
Total assets	24,313,076	18,415,774	42,728,850	45,655,735	48,630,524	94,286,259	11,890,959	148,906,068

35. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities (continued)

(SR' 000)

2024	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Liabilities								
Due to banks, Saudi Central Bank and other financial institutions								
Current accounts	-	-	-	-	-	-	296,103	296,103
Money market deposits	5,552,286	2,888,237	8,440,523	-	-	-	-	8,440,523
Repurchase agreement borrowings	9,772,002	512,034	10,284,036	288,671	-	288,671	-	10,572,707
Customer deposits								
Demand	-	-	-	-	-	-	34,564,643	34,564,643
Saving & call	-	-	-	-	-	-	11,114,104	11,114,104
Customers' time investments	43,324,069	16,786,217	60,110,286	83,577	-	83,577	-	60,193,863
Other	-	-	-	-	-	-	2,313,904	2,313,904
Negative fair value of derivatives								
Held for trading	8,937	21,651	30,588	19,531	40,306	59,837	-	90,425
Held as cash flow hedges	36,593	-	36,593	-	37,981	37,981	-	74,574
Subordinated Sukuk	-	9,255	9,255	-	1,996,663	1,996,663	-	2,005,918
Other liabilities	10,935	47,147	58,082	96,536	23,203	119,739	1,859,786	2,037,607
Total liabilities	58,704,822	20,264,541	78,969,363	488,315	2,098,153	2,586,468	50,148,540	131,704,371

35. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities (continued)

(SR' 000)

2023	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Assets								
Cash and balances with SAMA								
Cash in hand	-	-	-	-	-	-	747,623	747,623
Balances with SAMA	419,936	-	419,936	-	-	-	4,673,134	5,093,070
Due from Banks and other financial institutions								
Current accounts	-	-	-	-	-	-	503,884	503,884
Money market placements	1,179,591	3,050,314	4,229,905	-	-	-	-	4,229,905
Reverse repos	-	957,985	957,985	-	-	-	-	957,985
Investments								
Held as FVIS	-	-	-	-	-	-	1,484,128	1,484,128
Held as FVOCI	111,204	5,983	117,187	4,066,109	8,249,924	12,316,033	5,263	12,438,483
Held at amortised cost	1,157,180	392,109	1,549,289	10,193,567	8,776,823	18,970,390	-	20,519,679
Positive fair value of derivatives								
Held for trading	20,000	2,322	22,322	61,864	33,529	95,393	-	117,715
Held as cash flow hedges	26,210	-	26,210	36,008	42,575	78,583	-	104,793
Financing, net								
Credit cards	323,726	-	323,726	-	-	-	427,433	751,159
Consumer financing	121,935	186,475	308,410	11,903,945	17,049,319	28,953,264	-	29,261,674
Commercial financing	18,092,875	9,411,104	27,503,979	16,088,175	6,877,434	22,965,609	-	50,469,588
Others	-	298,480	298,480	-	-	-	-	298,480
Other assets	29,142	87,427	116,569	-	-	-	602,880	719,449
Investment in an associate	-	-	-	-	-	-	243,011	243,011
Other real estate, net	-	-	-	-	-	-	498,986	498,986
Property, equipment, software and right of use assets, net	-	-	-	-	-	-	1,111,165	1,111,165
Total assets	21,481,799	14,392,199	35,873,998	42,349,668	41,029,604	83,379,272	10,297,507	129,550,777

35. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities (continued)

(SR' 000)

2023	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Liabilities								
Due to banks, Saudi Central Bank and other financial institutions								
Current accounts	-	-	-	-	-	-	210,444	210,444
Money market deposits	2,883,249	-	2,883,249	1,424,833	-	1,424,833	-	4,308,082
Repurchase agreement borrowings	9,217,217	961,319	10,178,536	288,671	-	288,671	-	10,467,207
Customer deposits								
Demand	-	-	-	-	-	-	33,411,088	33,411,088
Saving & call	-	-	-	-	-	-	2,045,058	2,045,058
Customers' time investments	38,594,810	17,409,442	56,004,252	487,564	-	487,564	-	56,491,816
Other	-	-	-	-	-	-	2,106,439	2,106,439
Negative fair value of derivatives								
Held for trading	23,586	1,929	25,515	68,064	32,271	100,335	-	125,850
Held as cash flow hedges	15,295	-	15,295	5,916	-	5,916	-	21,211
Subordinated Sukuk	-	9,425	9,425	-	1,994,921	1,994,921	-	2,004,346
Other liabilities	15,128	44,987	60,115	117,545	19,713	137,258	1,746,369	1,943,742
Total liabilities	50,749,285	18,427,102	69,176,387	2,392,593	2,046,905	4,439,498	39,519,398	113,135,283

36. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Determination of fair value and fair value hierarchy

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments"

For assets and liabilities that are recognised at fair value 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.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

a) The following table presents the Group's financial assets and liabilities that are measured at fair values:

		2024 (SR'000)			
		Fair Value			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
FVIS - Mutual funds	**1,748,147**	**-**	**1,748,147**	**-**	**1,748,147**
FVIS – Equities	**39,853**	**17,264**	**-**	**22,589**	**39,853**
FVIS – Convertible debt instrument	**6,618**	**-**	**-**	**6,618**	**6,618**
FVOCI – Equities	**531,274**	**-**	**-**	**531,274**	**531,274**
FVOCI – Sukuk – equity	**2,999,378**	**-**	**2,999,378**	**-**	**2,999,378**
FVOCI – Sukuk – debt	**9,784,586**	**-**	**9,784,586**	**-**	**9,784,586**
Shari'ah compliant derivatives	**151,737**	**-**	**151,737**	**-**	**151,737**
Total	**15,261,593**	**17,264**	**14,683,848**	**560,481**	**15,261,593**
Financial liabilities measured at fair value:					
Shari'ah compliant derivatives	**164,999**	**-**	**164,999**	**-**	**164,999**

36. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

a) The following table presents the Group's financial assets and liabilities that are measured at fair values: (continued)

		2023 (SR'000) Fair value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
FVIS - Mutual funds	1,463,641	-	1,463,641	-	1,463,641
FVIS – Equities	20,487	-	-	20,487	20,487
FVOCI – Sukuk – equity	2,638,872	-	2,638,872	-	2,638,872
FVOCI – Sukuk – debt	9,794,348	-	9,794,348	-	9,794,348
Shari'ah compliant derivatives	222,508	-	222,508	-	222,508
Total	14,139,856	-	14,119,369	20,487	14,139,856
Financial liabilities measured at fair value:					
Shari'ah compliant derivatives	147,061	-	147,061	-	147,061

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options and profit rate swaps. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps and options are fair valued using forward profit rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

There were no changes in valuation techniques during the period.

There were no transfers between levels 1 and 2 during the year. New investments acquired during the year are classified under the relevant levels. Level 3 includes investment in unquoted equities which have been valued using a valuation model.

36. FAIR VALUE MEASUREMENT (continued)

b) Following table represent fair values of financial assets and liabilities measured at amortised cost. There are no financial assets and liabilities that are measured as level 1 and level 3 fair value.

31 December 2024	Amortised cost	Level 2
Financial assets:		
Due from banks and other financial institutions	**6,697,117**	**6,706,393**
Investment held at amortised cost – net (note 6(d))	**21,083,867**	**20,131,588**
Financing, net	**96,912,496**	**97,309,690**
Total	**124,693,480**	**124,147,671**
Financial liabilities:		
Due to banks and other financial institutions	**19,309,333**	**20,816,924**
Customers' deposits	**108,186,514**	**108,874,632**
Subordinated Sukuk	**2,005,918**	**2,005,918**
Total	**129,501,765**	**131,697,474**

31 December 2023	Amortised cost	Level 2
Financial assets:		
Due from banks and other financial institutions	5,691,774	5,689,434
Investment held at amortised cost – net (note 6(d))	20,519,679	19,945,499
Financing, net	80,780,901	81,443,392
Total	106,992,354	107,078,325
Financial liabilities:		
Due to banks and other financial institutions	14,985,733	15,425,259
Customers' deposits	94,054,401	94,043,569
Subordinated Sukuk	2,004,346	2,004,346
Total	111,044,480	111,473,174

The fair value of the cash and balances with SAMA, other assets and other liabilities approximate to their carrying amount. The fair values of level 2 financial instruments are estimated as at December 31, 2024 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

36. FAIR VALUE MEASUREMENT (continued)

Valuation technique and significant unobservable inputs

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

Type	Accounting Classification	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mutual Fund units	FVIS	Fair valued using the net asset value determined by the fund manager. The fund manager deploys various techniques for the valuation of underlying assets classified under level 2 of the respective fund's fair value hierarchy	Not applicable	Not applicable
Equities	FVIS	Includes investment in unquoted equities which have been valued using a valuation model.	Risk Free Rate, Asset Volatility	Valuation is highly sensitive to changes in the asset volatility
Equities	FVOCI	Includes investment in unquoted equities which have been valued using a valuation model.	Not applicable	Not applicable
Investment held at FVOCI – Sukuks (debt & equity)	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
Forward exchange contracts (Wa'ad) and Profit rate swaps	FVIS	**Forward exchange contracts (Wa'ad)**: Fair valued using discounted Notional techniques that use observable market data inputs for Foreign Exchange (FX) and yield curves **Profit rate swaps:** The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves.	Not applicable	Not applicable
Due from banks and other financial institutions, Financing, Due to banks and other financial institutions, Customer Deposits	Amortised Cost	**Market Data**: Used observable market data inputs for yield curves. **Fair value technique**: The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of: • The anticipated nominal magnitude and sign of a cash flow. • The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount. The fair value is determined only for the Customers' time investments.	Not applicable	Not applicable
Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable

37. 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 regulations issued by Saudi Central Bank (SAMA).

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

	2024 SR' 000	2023 SR' 000
Subsidiary companies		
Investments	**500,980**	501,480
Customer deposits	**2,389,506**	2,642,995
Due from banks and other financial institutions	**2,023,568**	1,837,301
Due to banks and other financial institutions	**291,019**	290,909
Receivables and other assets	**161,081**	233,777
Payables and liabilities	**30,623**	75,544
Commitments and contingencies	**98**	30,173
Notional values of outstanding shari'ah compliant contracts	**3,675,436**	4,134,582
Outstanding Sukuk liability	**1,875,000**	1,875,000
Associate and affiliate entities with significant influence		
Investments	**323,716**	243,011
Customer deposits	**305,417**	157,908
Contingencies and commitments	**7,280**	7,280
Sukuk liability	**150,000**	150,000
Directors, key management personnel, other major shareholders and their affiliates		
Financing	**327,474**	136,203
Customers' deposits	**119,835**	541,269
Contingencies and commitments	**35,835**	29,840

Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.

Mutual Funds under subsidiary's management		
Investments	**579,306**	1,402,087
Customers' deposits	**111,785**	233,361

37 RELATED PARTY TRANSACTIONS (continued)

Income, expenses and other transactions with related parties included in the consolidated financial statements are as follows:

	2024 **SR' 000**	2023 SR'000
Income from investments and financing	**304,253**	301,492
Return on deposits and financial liabilities	**311,134**	327,183
Fees income	**395**	302
Fee expense	**12,697**	13,327
Exchange gain	**-**	515
Insurance premium paid include advance	**131,247**	67,926
Claims received	**26,505**	38,997
Directors' remuneration	**17,049**	10,332
Income under shared service agreements	**1,150**	1,150
Operating expenses	**5,432**	28,429
Reimbursement of expense to a subsidiary	**39**	38
Reimbursement of building related expense	**4,005**	3,065
Rent expense for branches	**765**	768
Investment in the sukuks issued by BAJ	**-**	150,000
Profit paid on the sukuk issued	**9,000**	4,500
Face value of bonus shares received	**-**	24,540
Dividend received	**5,813**	-
Participation in DMO sukuk auction for an associate	**33,516**	-
Investment in mutual funds	**144,716**	-
Purchase of shares of associate (ATT)	**76,218**	-

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

	2024 **SR' 000**	2023 SR'000
Short-term employee benefits	**133,687**	123,019
Termination benefits	**28,608**	32,537

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

38. SALARIES AND EMPLOYEE RELATED EXPENSES

	2024			
Categories of employees	**Number of employees**	**Fixed compensation (on accrual basis) SR' 000**	**Variable compensation (on cash basis) SR' 000**	**Total SR' 000**
Senior executives that require SAMA no objection	**24**	**45,147**	**23,849**	**68,996**
Employees involved in control functions	**364**	**114,101**	**12,212**	**126,313**
Employees involved in risk taking activities	**45**	**54,604**	**16,633**	**71,237**
Other employees	**2,156**	**549,346**	**153,389**	**702,735**
Outsourced employees	**619**	**96,059**	**1,461**	**97,520**
Total	**3,208**	**859,257**	**207,544**	**1,066,801**
Variable compensation (accrual basis)		**211,079**		
Other employee related benefits		**55,764**		
Total salaries and employee-related		**1,126,100**		

	2023			
Categories of employees	Number of employees	Fixed compensation (on accrual basis) SR' 000	Variable compensation (on cash basis) SR' 000	Total SR' 000
Senior executives that require SAMA no objection	22	40,700	23,088	63,788
Employees involved in control functions	402	120,080	15,752	135,832
Employees involved in risk taking activities	42	51,250	14,270	65,520
Other employees	2,109	575,345	107,402	682,747
Outsourced employees	604	79,074	1,656	80,730
Total	3,179	866,449	162,168	1,028,617
Variable compensation (accrual basis)		160,435		
Other employee related benefits		24,992		
Total salaries and employee-related		1,051,876		

Control functions mainly include Enterprise Risk Management, Credit Management, Internal Audit, Finance, Compliance and Board Secretary & Governance, Shariah Groups. Employees involved in risk taking activities are Material Risk Takers. Due to changes in the criteria for certain categories, prior-year figures have been adjusted to align with the current year's presentation format.

38. SALARIES AND EMPLOYEE RELATED EXPENSES (continued)

The Bank has developed a Senior Management Compensation & Benefits Policy based on the 'Rules on Compensation Practices' issued by SAMA as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect. The policy was approved by the General Assembly and prioritizes the alignment of compensation with risk and offers a competitive and balanced mix of fixed and variable pay. The policy ensures that compensation reflects the probability and timing of earnings and their effect on the Bank's capital. It also aims to foster effective risk management, achieve financial stability and address the risks arising from the Bank's compensation practices. The Group considers all kinds of current and potential material risks and maintains a balance between general industry practices and Group-specific factors such as business model, financial condition, operating performance, market perception, business prospects and suitable managerial judgement, etc.

The Board of Directors of the Bank has established a Nomination and Remuneration Committee (the Committee) which consists of four members. The functions and duties of the committee focus on recommending nominations to the Board of Directors as per the approved policies and standards, performing annual reviews on the skills required for the membership of the board of directors, performing reviews of the board of directors 'structure and recommending those changes that could be carried out. The committee is also responsible for ensuring the independence of independent members and lack of any conflict of interests in case any director was a member in any other company's board, ensuring recommended appointment is commensurate with the proper skills and required qualifications, and development and review of remuneration for the directors and senior executives.

The Committee is also responsible to recommend to the Board of Directors the approval of the Bank's Compensation Policy and any amendments thereto, to ensure that the Bank's remuneration policies are in compliance with SAMA Rules, to periodically review the Bank's compensation policy, to evaluate practices by which compensation is paid, and to determine the performance bonuses for the Bank's employees based on the risk adjusted profit of the Bank.

The governance process ensures that the Compensation Policy is consistently applied and operates as intended. The Bank has established an oversight mechanism to regularly evaluate the design characteristics of compensation practices and their implementation to achieve the desired objectives

The compensation and benefits program

The Compensation Policy is designed to attract, retain and motivate high performing and high potential employees. The Group's compensation policy is based on the nature of the job, market practices and jobholder's level of involvement in risk taking and controlling activities. The policy applies to all employees, including the executive management team and aims to link individual performance to the Group's overall achievements and financial soundness and results.

The Banks participates in Compensation and Benefits surveys conducted by independent third parties to get insights into the market pay levels. The Bank also conducts annual performance cycles that ensures that employees are appraised of their annual performance.

The distribution of compensation is composed of a mix of fixed and variable pay, allowances, periodic meritorious reward schemes and non-cash benefits in line with the standards and norms for the financial services industry in the Kingdom of Saudi Arabia.

According to labour law of the Kingdom of Saudi Arabia and Group's internal policies, staff end of services benefits is due for payment at the end of an employee's period of services. The end of service benefits outstanding at December 31, 2024 amounted to SR 309.43 million (2023: SR 293.07 million).

38. SALARIES AND EMPLOYEE RELATED EXPENSES (continued)

The compensation and benefits program is applicable to all regular (Headcount) Saudi national and expatriate employees of the Bank, and its subsidiaries within all applicable regulatory and corporate governance limitations.

- **Fixed compensation** includes salaries and wages, and job/position specific allowances and related benefits, which are fixed in employment contracts and are given irrespective of performance.

- **Variable compensation** includes performance bonuses, incentives and other variable performance related allowances which are not fixed by the employment contracts, and which vary from year to year, and have a direct correlation with individual, group and institutional performance success.

Performance management system

The Bank has adopted a framework to develop a clear link between variable compensation and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would deliver a target bonus pool for the employees, prior to consideration of any allocation to business areas and employees individually.

The performance of all employees is evaluated against agreed targets using a KPI and Competency Scorecard methodology. Financial and non-financial metrics are used to measure performance against the objectives, which include profitability, expense control, customer satisfaction, quality assurance, employee development and engagement, sustainable business practices, lending guidelines, internal controls, compliance with regulations, and business systems and processes. Effective risk management is emphasized to maintain a strong and secure operating platform. The performance management methodology at BAJ focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance within a risk compliant manner.

In line with SAMA Regulations, Material Risk Takers (MRTs) have a percentage of their variable compensation deferred and vested over a period of three (3) years. The MRTs are determined every year and approved by the Nomination and Remuneration Committee.

Risk-adjustment for variable pay schemes

The Bank has adopted a framework to develop a clear link between variable compensation and performance. The Bank has reviewed all its variable pay schemes, to ensure that any bonus pay pools have taken into account all relevant risks. The determination of bonus pools is based on appropriate performance factors adjusted for risk. The bonus pool for the Control functions have been ring fenced from short-term profits in alignment with SAMA regulations.

The Bank’s subsidiaries have adopted a similar approach to remuneration and compensation practices as described above, including policies within a framework of prudent risk management.

39. CAPITAL ADEQUACY

The Group actively manages its capital base to cover the risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above 10.5 percent. including a capital conservation buffer (2.5 percent).

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA. Various committees have been established by the Bank which also monitor the capital adequacy.

The following table summarizes the Group's Pillar-I Risk Weighted Assets (RWA), Regulatory Capital and Capital Adequacy Ratios as per as per Basel III final reform issued by SAMA (circular number 44047144) effective from January 01, 2023

	2024		2023	
	Eligible capital SR '000	**Capital adequacy ratio %**	Eligible capital SR '000	Capital adequacy ratio %
Common Equity Tier 1 (CET 1) Capital	**13,288,378**	**12.11%**	12,721,256	13.27%
Additional Tier 1 (AT1) Capital	**3,875,000**	**-**	3,875,000	-
Tier I Capital	**17,163,378**	**15.64%**	16,596,256	17.31%
Supplementary capital (Tier 2)	**2,616,245**		2,501,906	
Core and supplementary capital (Tier 1 + Tier 2)	**19,779,623**	**18.02%**	19,098,162	19.92%

Common Equity Tier 1 capital of the Bank at the year-end comprises of share capital, statutory reserve, general reserves, other reserves, retained earnings and certain regulatory capital adjustments in accordance with the requirement of SAMA Basel III Framework. The other component of regulatory capital is Tier 2 capital, which comprises subordinated sukuk issued by the Group and eligible collective allowances.

A strong capital position is essential to the Group's business strategy and competitive position. The Group's capital strategy focuses on long-term stability, which aims to build and invest in core banking activities.

The Group seeks to maintain adequate levels of capital in order to:
- Optimize assets growth in target business segments to support its strategic objectives
- Support the underlying risks of the Bank's business;
- Be able to withstand capital demands under prevailing market and stress conditions.

39. CAPITAL ADEQUACY (continued)

Strategic business plans, ICAAP and ILAAP are drawn up annually covering at least three years horizon. This ensures that risks based on the Bank's Risk Appetite Framework & Policy are assessed and adequate levels of capital are maintained by the Group to support its strategy. The above takes the following into account:

- Growth of core financing and investment business based on business plans of the various business units such as Corporate Banking (includes Commercial and SME Segment), Global Transactions Services, Financial Institutions, Retail Banking, Treasury and Private Banking;
- The funding structure and sources of funding, liabilities and equity, to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III Liquidity Management guidelines;
- Maintenance of Regulatory capital requirements and Capital Adequacy Ratios.

For the purpose of calculating risk weighted assets, the Group uses the Standardized Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. The Group's Risk Management Division is responsible for ensuring that the Group's capital adequacy ratios meet the minimum requirement specified by SAMA. The Group is required to submit Capital Adequacy Prudential Returns on quarterly basis to SAMA showing the capital adequacy position.

	2024	2023
	SR '000	SR '000
Credit risk	**103,418,920**	88,909,068
Market risk	**1,468,837**	2,407,944
Operational risk	**4,860,836**	4,537,448
Total pillar-1 – risk weighted assets	**109,748,593**	95,854,460

40. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank's subsidiary, AlJazira Capital Company (AJC) offers investment management and advisory services to its customers, compliant with the principles of Shari'ah (non-interest based). These services include portfolio management on a discretionary and non-discretionary basis and management of investment funds in conjunction with professional investment advisors.

The Group also provides investment management and other services to AlJazira Takaful Ta'awuni Company.

Total assets under administration held by the Group related to its brokerage services business amounted to SR 51.5 billion (2023: SR 52.3 billion).

Assets held in a fiduciary capacity by the Group related to its asset and wealth management services business amounted to SR 23.7 billion (2023: SR 16.8 billion).

41. UNCONSOLIDATED ENTITIES

Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and/or for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

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**	**Total assets 2024 SR '000**	Total assets 2023 SR '000
Public funds	To generate: ▪ returns from trading in the units and / or periodic distributions from the funds. ▪ fee from managing assets on behalf of third party investors. These funds are financed through the issue of units to investors.	Investments in units issued by the funds. Management and performance fee	**1,491,219**	237,810
Private funds	To generate: ▪ returns from capital appreciation and / or periodic distributions from the funds. ▪ fee from advisory services / managing assets on behalf of third party investors. These funds are financed through the issue of units / shares to investors.	Investments in units / shares issued by the funds. Advisory and management fee	**4,785,475**	3,375,203

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. These interests are reported as investments at fair value through statement of income into these consolidated financial statements

	2024 SR '000	2023 SR '000
Public funds	**100,331**	92,217
Private funds	**1,602,862**	1,287,395
	1,703,193	1,379,612

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The Group earned a fee amounting to SR 65.7 million (2023: SAR 59.5 million) from the structured entities it has sponsored, but in which the Group does not have an interest.

42. PROFIT SHARING INVESTMENT ACCOUNTS

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

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

Gross pool assets by type of contract:

	2024	2023
	SR '000	SR '000
Tawarraq	**53,054,641**	42,623,553
Murabaha	**40,090,120**	34,389,877
Ijarah	**7,172,581**	6,687,929
Wakala	**2,766,369**	5,090,077
Wa'ad	**-**	958,275
Sukuk	**33,879,783**	29,441,184
Qard Alhasan	**297,727**	302,443
Others	**2,360,625**	2,239,380
Total financing and investments	**139,621,846**	121,732,718

b) the basis for calculating and allocating profits between the bank and the IAHs;

Computation of Pool income is as follows:

SR '000	**2024**	**2023**
Pool Income from Financing	**4,197,567**	3,242,278
Income from Investments	**562,610**	597,072
Total Pool Income	**4,760,177**	3,839,350
Investment risk reserve (IRR) - (Mudaraba Reserve Account	**602,890**	447,889
Mudaraba Pool Income	**432,903**	351,333
Mudarib fee	**4,329**	3,513
Movement to or from IRR	**155,001**	133,910
Total amount paid to IAH Mudaraba	**273,660**	210,621
Profit allocation during the year	**273,573**	213,910
Total amount attributable to shareholders pool	**1,146,240**	1,095,358

42. PROFIT SHARING INVESTMENT ACCOUNTS (continued)

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

	IAH Share	Bank Share
Profit Sharing Allocation Percentages	99%	1%

a) the equity of the IAHs at the end of the reporting period

SR '000	2024	2023
Investment account holders balance before profit	**4,895,000**	4,895,000
Add: Profit for the IAH during the year	**428,574**	347,820
Less: Profit allocation during the year	**(273,573)**	(213,910)
Total value of Investment Account Holders after share of profits and before the fair value reserves	**5,050,001**	5,028,910
Share in fair value reserve	**(155,001)**	(133,910)
Total equity for Investment Account Holders	**4,895,000**	4,895,000

During the current year, the methodology for allocating pool income was updated in alignment with Shariah Group guidance. As a result, the comparative figures also reflect this change.

d) Basis for determining any IRR and the changes that have occurred in any of those reserves during the reporting period

Investment risk reserve / Mudaraba Reserve (IRR) is created by setting aside amounts out of the profit attributable to investment account holders, after deducing the Mudarib share, in order to cushion the effects of future investment losses on investment account holders. The IRR enables the Bank's to cover, fully or partially, unexpected losses on investments. Where the losses are fully covered, use of PER may enable a profit pay-out to be made to the IAH notwithstanding the loss.

With regard to IRR, IAH agree in advance in the contract that regulates their relationship with Bank, on the proportion of their income that may be appropriated to each of these reserves. This amount is determined by the management of the Bank at their discretion. As per terms and conditions, in case of any shortfall the Bank has to first utilise any amount available in the Mudaraba Reserve and in case of any shortfall may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall and the Bank will be entitled to recover such amounts at a later date from the Mudaraba Reserve.

Investment risk reserve (IRR) are used to manage and mitigate below risk faced by Bank.

Displaced commercial risk

Rate of return risk can give rise to displaced commercial risk. Bank may be under pressure to pay a return that is above the rate earned on assets to match the competitors' rates. Bank cannot provide their customers fixed guaranteed returns on their deposits or investments. Instead, they follow risk/return sharing model. However, in practice, investment account holders are likely to expect competitive returns. This lead to displaced commercial risk for Banks. It is vital for Banks to effectively manage their displaced commercial risk to be able to compete with their conventional counterparts. To mitigate displaced commercial risk, Banks may decide to waive their portions of profits and thus dissuade investment account holders from withdrawing funds. However, the practice of foregoing part or all of shareholders' profits can adversely affect the Bank's own capital which can lead to insolvency in extreme cases.

43. COMPARATIVE FIGURES

As stated in note 31 and 38, comparative period amounts have been restated to ensure comparability of information.

In addition, certain prior period amounts have been reclassified so as to align with the current period presentation. However, there was no impact of such reclassifications on the consolidated statement of income and consolidated statement of changes in equity.

44. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended December 31, 2024, the Bank completed the issuance of an SAR-denominated additional Tier 1 sukuk of SR 1 billion (which is part of additional Tier 1 Capital Sukuk Programme of SR 5 billion) by way of a private placement in Saudi Arabia. This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank.

45. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 31 January 2025 (corresponding to 1st Shaban, 1446H).