Financial Statements

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Independent Auditors' Report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Saudi Awwal Bank (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.

Other Matter

The consolidated financial statements for the year ended 31 December 2023, in respect of which an unmodified audit report dated 15 February 2024 (corresponding to 5 Sha'ban 1445H) was issued, were jointly audited by another auditor.

Key Audit Matters

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

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Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances and credit related commitments and contingencies	
As at 31 December 2024, the gross loans and advances of the Group and credit related commitments and contingencies were SAR 265.60 billion and SAR 170.39 billion respectively against which an expected credit loss ("ECL") allowance of SAR 6.26 billion and SAR 1.14 billion was maintained respectively. 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 loans into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Group has applied additional judgments to identify and estimate the likelihood of borrowers experiencing SICR due to the current economic outlook. 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 the ECL allowance against loans and advances and credit related commitments and contingencies, including the Group's internal rating model, accounting policy and model methodology, considering any key changes made during the year. • 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 on a sample basis 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 year, including approval by the IFRS 9 Committee of the key inputs, assumptions and post model overlays; ○ the classification of loans and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; ○ the IT systems and applications 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 confirmed that these were consistent with the ratings used as inputs in the ECL model; and ○ management's computations of ECL.

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances and credit related commitments and contingencies (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. The application of these judgments and estimates results in greater estimation uncertainty, and the associated audit risk regarding the ECL calculation as at 31 December 2024. *Refer to note 1.1f(i) to the consolidated financial statements which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; the material accounting policies note 2B(v) and (vi) for the impairment of financial assets and financial guarantees and loan commitments; note 6 which contains the disclosure of impairment against loans and advances; note 20 which contains the disclosure of impairment against credit related commitments and contingencies and note 30(ii) for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.*	• For selected loans, we evaluated 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 loan portfolio. • We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustments 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 internal experts to assist us in evaluating model calculations, interrelated inputs (including EADs, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in the post model overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
The Group has entered into various derivative transactions, including special commission rate swaps ("swaps"); special commission rate options ("options"); forward foreign exchange contracts ("forwards"); and other derivative contracts. Swaps, options, forwards and other derivative contracts include over-the-counter ("OTC") derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flows or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well. We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation and, where appropriate, hedge effectiveness. As at 31 December 2024, the positive and negative fair values of derivatives held by the Group amounted to SAR 2.63 billion and SAR 2.55 billion respectively. *Refer to the basis of preparation note 1.1f(ii) to the consolidated financial statements which sets out the critical accounting judgments, estimates and assumptions regarding fair value measurement; the material accounting policies note 2.D for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.*	• We assessed the design and implementation, and on a sample basis tested the operating effectiveness, of the key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated and manual controls covering the fair valuation process for derivatives. • We selected a sample of derivatives and: ○ tested the accuracy of system bookings by comparing the terms and conditions with relevant agreements and deal confirmations; ○ assessed the appropriateness of the key inputs to the derivative valuation models; ○ involved our internal experts to assist us in re-performing valuations of the derivatives and compared the result with management's valuation; and ○ considered the hedge effectiveness performed by the Group and assessed the related hedge accounting. • We assessed the adequacy of disclosures regarding the valuation basis in accordance with IFRS 13 as endorsed in the Kingdom of Saudi Arabia and inputs used in the fair value measurement as detailed in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill	
As at 31 December 2024, the Group has goodwill with a carrying value of SAR 8.78 billion. Management has conducted a goodwill impairment test as at 31 December 2024. We considered the impairment assessment of goodwill as a key audit matter because it involves the determination of value in use ("VIU") and subjectivity surrounding the allocation of goodwill to individual CGUs. The VIU calculations are based on future forecasts, which are inherently uncertain, require significant judgment and are subject to the risk of management bias. Aside from profit forecasts, other significant judgments included in the VIU are discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgments and assumptions underpinning the impairment assessment is inappropriate, then the carrying amount of goodwill balance may be misstated. *Refer to the basis of preparation note 1.1f(iii) to the consolidated financial statements which sets out the critical accounting judgments, estimates and assumptions regarding the impairment of the goodwill; the material accounting policies note 2H(i) to the consolidated financial statements for the impairment policy for goodwill; and note 9 which contains the disclosure and the impairment testing of goodwill.*	• We obtained an understanding of management's processes for impairment assessment and evaluated the design and implementation of controls. • We assessed whether the segmentation of the cash generating units ("CGUs") and the allocation of the goodwill to individual CGUs is appropriate and reflects our understanding of the business and how it operates. • We perused the strategic / operating plan as approved by the Board of Directors and checked that forecast information used in the goodwill impairment assessment conducted by management was consistent with this plan. • We assessed the reasonableness of the VIU calculations and the underlying assumptions and involved our experts to independently assess the long term profit growth rate and discount rate used by considering different market parameters and data sources. • We considered the sensitivity of the results of the VIU model for key assumptions i.e. long term profit growth rate and discount rate, within a reasonably possible range. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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 Board of Directors and Audit Committee are 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.

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Independent Auditors' Report (continued)

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

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

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

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's 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's 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.

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Independent Auditors' Report (continued)

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

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License number: 447

10 Sha'ban 1446
(9 February 2025)

Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License number: 356

Saudi Awwal Bank

Consolidated Statement of Financial Position

As at 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	2024 ⃁'000	2023* ⃁'000
ASSETS			
Cash and balances with Saudi Central Bank ('SAMA')	3	17,362,692	16,741,235
Due from banks and other financial institutions, net	4	3,429,772	7,407,481
Positive fair value of derivatives, net	11	2,631,208	2,368,382
Investments, net	5	98,412,224	96,566,836
Loans and advances, net	6	259,345,516	215,935,845
Investment in an associate	7	463,350	462,046
Property, equipment and right of use assets, net	8	4,087,561	3,844,926
Goodwill and other intangibles, net	9	10,660,468	10,556,367
Other assets	10	3,050,018	2,758,518
Total assets		**399,442,809**	**356,641,636**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	12, 41	40,996,981	19,678,918
Customers' deposits	13, 41	267,010,659	253,457,490
Negative fair value of derivatives, net	11	2,546,204	2,231,470
Debt securities in issue	14	5,178,059	5,177,862
Other liabilities	15	15,424,723	14,196,333
Total liabilities		**331,156,626**	**294,742,073**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	16	20,547,945	20,547,945
Share premium		8,524,882	8,524,882
Statutory reserve	17	20,547,945	20,547,945
Other reserves	18	(2,818,768)	(1,414,343)
Retained earnings		11,464,384	9,708,134
Proposed dividends	42	2,054,795	-
Total equity attributable to equity holders of the Bank		**60,321,183**	**57,914,563**
Additional Tier 1 Sukuk	19	7,965,000	3,985,000
Total equity		**68,286,183**	**61,899,563**
Total liabilities and equity		**399,442,809**	**356,641,636**

The accompanying notes [1 to 43] form an integral part of these consolidated financial statements.

*Refer note 41

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director & Authorized Board Member

Saad Al-Fadly
Board Vice Chair

Saudi Awwal Bank

Consolidated Statement of Income

For the year ended 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	2024 ⃁'000	2023 ⃁'000
Special commission income	21	20,501,416	17,088,441
Special commission expense	21,41	(9,477,916)	(6,746,972)
Net special commission income		**11,023,500**	**10,341,469**
Fee and commission income	22	3,997,013	3,255,403
Fee and commission expense	22	(2,547,451)	(2,110,865)
Net fee and commission income		**1,449,562**	**1,144,538**
Exchange income, net		1,132,874	915,124
Gain from FVSI financial instruments, net	23	554,929	345,598
Dividend income		7,323	4,747
Losses on FVOCI debt instruments, net	18	(60,924)	(4,892)
Losses on amortised cost investments, net		(41,808)	(14,929)
Other operating income		69,549	87,143
Other operating expense		(117,333)	(108,338)
Net other operating income		**(47,784)**	**(21,195)**
Total operating income		**14,017,672**	**12,710,460**
Provision for expected credit losses, net	30(i) (a)	(566,063)	(562,442)
Operating expenses			
Salaries and employee related expenses	24	(2,271,876)	(2,087,799)
Rent and premises related expenses		(77,818)	(73,646)
Depreciation and amortization	8,9	(546,646)	(565,603)
General and administrative expenses		(1,394,556)	(1,386,042)
Total operating expenses		**(4,290,896)**	**(4,113,090)**
Income from operating activities		**9,160,713**	**8,034,928**
Share in earnings of an associate	7	205,369	188,214
Net income for the year before Zakat and income tax		**9,366,082**	**8,223,142**
Provision for income tax	26	(629,817)	(518,854)
Provision for Zakat	26	(665,804)	(701,915)
Net income for the year after Zakat and income tax		**8,070,461**	**7,002,373**
Basic and diluted earnings per share (in ⃁)	**25**	**3.78**	**3.41**

The accompanying notes [1 to 43] form an integral part of these consolidated financial statements.

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director & Authorized Board Member

Saad Al-Fadly
Board Vice Chair

Saudi Awwal Bank

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	2024 ⃁'000	2023 ⃁'000
Net income for the year after Zakat and income tax		**8,070,461**	**7,002,373**
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to consolidated statement of income in subsequent years			
Net changes in fair value of FVOCI equity instruments	18	113,805	207,197
Re-measurement of defined benefit liability	18, 28	62,470	(23,467)
Items that will be reclassified to consolidated statement of income in subsequent years			
Debt instrument at FVOCI:			
Net changes in fair value, net	18	(1,261,373)	(420,181)
Transfer to consolidated statement of income, net	18	60,924	4,892
Cash flow hedges:			
Net changes in fair value	18	(249,308)	149,222
Transfer to consolidated statement of income, net	18	1,171	(144,717)
Total other comprehensive loss		**(1,272,311)**	**(227,054)**
Total comprehensive income for the year		**6,798,150**	**6,775,319**

The accompanying notes [1 to 43] form an integral part of these consolidated financial statements.

Lama A. Ghazzaoui

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director & Authorized Board Member

Saad Al-Fadly
Board Vice Chair

Saudi Awwal Bank

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

		Attributable to equity holders of the Bank								
2024	**Notes**	**Share Capital ⃁'000**	**Share premium ⃁'000**	**Statutory reserve ⃁'000**	**Other reserves ⃁'000**	**Retained Earnings ⃁'000**	**Proposed dividends ⃁'000**	**Total ⃁'000**	**Additional Tier 1 Sukuk ⃁'000**	**Total Equity ⃁'000**
Balance at the beginning of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,414,343)**	**9,708,134**	**-**	**57,914,563**	**3,985,000**	**61,899,563**
Total comprehensive income / (loss) for the year										
Net income for the year after Zakat and income tax		-	-	-	-	8,070,461	-	8,070,461	-	8,070,461
Net changes in fair value of cash flow hedges	18	-	-	-	(249,308)	-	-	(249,308)	-	(249,308)
Net changes in fair value of FVOCI equity instruments	18	-	-	-	113,805	-	-	113,805	-	113,805
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(1,261,373)	-	-	(1,261,373)	-	(1,261,373)
Re-measurement of defined benefit liability	18, 28	-	-	-	62,470	-	-	62,470	-	62,470
Transfer to consolidated statement of income, net	18	-	-	-	62,095	-	-	62,095	-	62,095
		-	-	-	**(1,272,311)**	**8,070,461**	**-**	**6,798,150**	-	**6,798,150**
Purchase of treasury shares		-	-	-	(176,804)		-	(176,804)	-	(176,804)
Employee share plan reserve net charge and shares vested		-	-	-	44,690		-	44,690	-	44,690
Additional Tier 1 Sukuk Payments		-	-	-	-	(304,617)	-	(304,617)	-	(304,617)
Additional Tier 1 Sukuk issued	19	-	-	-	-	-	-		3,980,000	3,980,000
Additional Tier 1 Sukuk issuance cost	19	-	-	-	-	(16,587)	-	(16,587)		(16,587)
2024 final dividend proposed, net of Zakat and income tax	42	-	-	-	-	(2,054,795)	2,054,795	-	-	-
2024 interim dividend, net of Zakat and income tax	16	-	-	-	-	(2,090,828)	-	(2,090,828)	-	(2,090,828)
2023 final dividend, net of Zakat and income tax	16	-	-	-	-	(1,847,384)	-	(1,847,384)	-	(1,847,384)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(2,818,768)**	**11,464,384**	**2,054,795**	**60,321,183**	**7,965,000**	**68,286,183**

		Attributable to equity holders of the Bank								
2023	**Notes**	**Share Capital ⃁'000**	**Share premium ⃁'000**	**Statutory reserve ⃁'000**	**Other reserves ⃁'000**	**Retained Earnings ⃁'000**	**Proposed dividends ⃁'000**	**Total ⃁'000**	**Additional Tier 1 Sukuk ⃁'000**	**Total Equity ⃁'000**
Balance at the beginning of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,182,348)**	**6,198,227**	**-**	**54,636,651**	**-**	**54,636,651**
Total comprehensive income / (loss) for the year										
Net income for the year after Zakat and income tax		-	-	-	-	7,002,373	-	7,002,373	-	7,002,373
Net changes in fair value of cash flow hedges	18	-	-	-	149,222	-	-	149,222	-	149,222
Net changes in fair value of FVOCI equity instruments	18	-	-	-	207,197	-	-	207,197	-	207,197
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(420,181)	-	-	(420,181)	-	(420,181)
Re-measurement of defined benefit liability	18, 28	-	-	-	(23,467)	-	-	(23,467)	-	(23,467)
Transfer to consolidated statement of income, net	18	-	-	-	(139,825)	-	-	(139,825)	-	(139,825)
		-	**-**	**-**	**(227,054)**	**7,002,373**	**-**	**6,775,319**	**-**	**6,775,319**
Purchase of treasury shares		-	-	-	(37,414)	-	-	(37,414)	-	(37,414)
Employee share plan reserve net charge and shares vested		-	-	-	32,473	-	-	32,473	-	32,473
Additional Tier 1 Sukuk issued	19	-	-	-	-	-	-	-	3,985,000	3,985,000
Additional Tier 1 Sukuk issuance cost	19	-	-	-	-	(16,956)	-	(16,956)	-	(16,956)
2023 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,992,689)	-	(1,992,689)	-	(1,992,689)
2022 final dividend, net of Zakat and income tax	16	-	-	-	-	(1,482,821)	-	(1,482,821)	-	(1,482,821)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,414,343)**	**9,708,134**	**-**	**57,914,563**	**3,985,000**	**61,899,563**

The accompanying notes [1 to 43] form an integral part of these consolidated financial statements.

Lama A. Ghazzaoui

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director & Authorized Board Member

Saad Al-Fadly
Board Vice Chair

Saudi Awwal Bank

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	2024 ⃁'000	2023* ⃁'000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**9,366,082**	**8,223,142**
Adjustments to reconcile net income before Zakat and income tax to net cash generated from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(358,971)	(361,786)
Depreciation and amortization	8,9	546,646	565,603
Special commission expense on debt securities in issue		402,538	387,029
Special commission expense on lease liabilities		13,149	16,049
Losses on amortised cost financial instruments		41,808	14,929
Losses / (income) transferred to consolidated statement of income	18	62,095	(139,825)
Share in earnings of an associate	7	(205,369)	(188,214)
Provision for expected credit losses, net	30 (i) (a)	566,063	562,442
Employee share plan reserve		44,690	32,473
		10,478,731	**9,111,842**
Change in operating assets:			
Statutory deposit with SAMA		(1,417,215)	(422,881)
Due from banks and other financial institutions		66,411	(203,851)
Investments held as FVSI		14,011	(53,788)
Loans and advances		(43,864,853)	(33,290,214)
Positive fair value derivatives		(512,134)	318,914
Other assets		(58,840)	(350,911)
Change in operating liabilities:			
Due to banks and other financial institutions	41	21,318,063	2,294,366
Customers' deposits	41	13,553,169	31,045,888
Negative fair value derivatives		314,734	324,034
Other liabilities		916,552	1,086,689
		808,629	**9,860,088**
Special commission paid on debt securities in issue		(402,341)	(324,003)
Zakat and income tax paid	26	(1,155,222)	(1,241,856)
Net cash (used in) / generated from operating activities		**(748,934)**	**8,294,229**
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		22,802,264	12,812,581
Purchase of investments not held as FVSI		(25,490,935)	(22,833,309)
Dividend received from an associate	7	204,065	325,457
Purchase of property, equipment and intangibles, net		(893,382)	(554,770)
Net cash used in investing activities		**(3,377,988)**	**(10,250,041)**
FINANCING ACTIVITIES			
Payment of lease liabilities		(118,321)	(118,281)
Dividends paid		(3,946,034)	(3,465,931)
Purchase of treasury shares		(176,804)	(37,414)
Tier 1 Sukuk payment		(304,617)	-
Additional Tier 1 Sukuk		3,980,000	3,985,000
Additional Tier 1 Sukuk issuance cost		(14,289)	(16,956)
Net cash (used in) / generated from financing activities		**(580,065)**	**346,418**
Net change in cash and cash equivalents		**(4,706,987)**	**(1,609,394)**
Cash and cash equivalents at beginning of the year	27	**10,198,684**	**11,808,078**
Cash and cash equivalents at end of the year	27	**5,491,697**	**10,198,684**
Supplemental non-cash information			
Special commission income received		20,147,607	16,542,810
Special commission expenses paid		(9,502,684)	6,299,657
Net changes in fair value and transfers to consolidated statement of income		(1,272,311)	(227,054)

The accompanying notes [1 to 43] form an integral part of these consolidated financial statements.

*Refer note 41

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
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Saad Al-Fadly
Board Vice Chair

Saudi Awwal Bank

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

Notes to the Consolidated Financial Statements

1. General and basis of preparation

Saudi Awwal Bank ('SAB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SAB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 103 branches (31 December 2023: 104 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

Saudi Awwal Bank
7383 King Fahad Branch Rd
2338 Al Yasmeen Dist.
13325
Riyadh
Kingdom of Saudi Arabia

The shareholders of the Saudi British Bank and Alawwal Bank ('AAB') approved the merger of the two banks at Extraordinary General Meetings held on 15 May 2019 pursuant to Articles 191-193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G) (the 'Companies Law'), and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the 'CMA').

Subsequent, to the above merger, the Group has changed its commercial name from 'The Saudi British Bank' to 'Saudi Awwal Bank' effective from 11 June 2023.

The objectives of SAB are to provide a range of banking services. SAB also provides Shariah-compliant products, which are approved and supervised by an independent Shariah Committee established by SAB.

Saudi Awwal Bank
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The details of the Group's significant subsidiaries and associate are as follows:

Name of Subsidiary / Associate	Ownership % 2024	Ownership % 2023	Description
Arabian Real Estate Company Limited ('ARECO')	100%	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in real estate activities.
SAB Markets Limited	100%	100%	A limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SAB Markets is engaged in derivatives trading and repo activities.
Alawwal Invest Company ('SAB Invest')	100%	100%	A closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No.1010242378 dated 30 Thul-Hijjah 1428H (9 January 2008). Alawwal Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. SAB Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.
Alawwal Real Estate Company ('AREC')	100%	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in real estate activities.
X-Tech fund	100%	-	A private equity fund incorporated in the Kingdom of Saudi Arabia dated 12 Shawwal 1445H (21 April 2024) which is engaged in investing activities.
HSBC Saudi Arabia	49%	49%	A closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada II 1427H (23 July 2006). HSBC Saudi Arabia is an associate of the Group, formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05 Thul-Hijjah 1426H corresponding to 05 January 2006. HSBC Saudi Arabia's principal activity is to engage in securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.

SAB has participated in the following two structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia. These entities have no other business operations. The details of the entities are as follows:

Name of entity	Ownership % 2024	Ownership % 2023	Description
Saudi Kayan Assets Leasing Company	50%	50%	(the company is currently under liquidation).
Rabigh Asset Leasing Company	-	50%	(the company was liquidated during the year).

Saudi Awwal Bank
Notes to the Consolidated Financial Statements
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1.1. Basis of preparation

a) Statement of compliance
The consolidated financial statements of the Group have been prepared:

> in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation 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.

b) Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at fair value through statement of income (FVSI), at fair value through other comprehensive income (FVOCI) and employee benefits which are stated at present value of their obligation. In addition, assets and liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risks that are being hedged.

c) Functional and presentation currency
These consolidated financial statements are expressed in Saudi Arabian Riyals (⃁), which is also the functional currency of SAB, and are rounded off to the nearest thousands, except where otherwise indicated.

d) Presentation of consolidated financial statements
The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) relating to financial assets and financial labilities is presented in note 32(b).

e) Basis of consolidation
These consolidated financial statements comprise the financial statements of SAB and its subsidiaries (as mentioned in note 1 collectively referred to as 'the Group'). The financial statements of the subsidiaries are prepared for the same reporting year as that of SAB, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SAB. SAB controls an entity (the 'investee') over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SAB and cease to be consolidated from the date on which the control is transferred from SAB. Intra-group transactions and balances have been eliminated upon consolidation.

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. 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.

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

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

Estimates:

i. Expected credit losses (ECL) on financial assets and loan commitments and financial guarantee contracts

ECL methodology
The measurement of impairment losses under IFRS 9 on the applicable categories of financial assets and loan commitments and financial guarantee contracts requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's internal credit grading model, which assigns Probability of Default (PDs) to the individual grades;
- the Group's criteria for assessing if there has been a significant increase in credit risk, allowances for financial assets are measured on a Lifetime ECL basis and the qualitative assessment;
- the segmentation of financial assets when the ECL is assessed on a collective basis;
- development of ECL models, including the various formulae and the choice of inputs;
- determination of associations between macroeconomic scenarios, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EADs) and Loss Given Default (LGDs); and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group applies a low credit risk expedient on its margin financing portfolio as they are over collateralized by shares and cash.

Collateral and other credit enhancements held
The Group's practice is to lend on the basis of customers' ability to meet their obligations out of cash flow resources rather than rely on the value of security offered. Depending on a customer's standing and the type of product, facilities may be provided without security. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Group may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating our exposure to credit risk.

Additionally, risk may be managed by employing other types of collateral and credit risk enhancements such as second charges, other liens, and unsupported guarantees, but the valuation of such mitigants is less certain and their financial effect has not been quantified.

ii. Fair value measurement
The Group measures financial instruments, such as investments and derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 34 to these consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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 includes all instruments for which the valuation technique includes 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 these consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. 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 as explained above.

iii. Impairment of goodwill
For impairment testing, goodwill acquired through business combination is allocated to the cash generating units (CGUs) – Wealth & Personal Banking (WPB), Corporate & Institutional Banking (CIB), Capital Markets and Treasury, which are also operating and reportable segments.

The impairment test is performed by comparing the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. Refer to note 9 for key assumption used for the VIU calculation.

iv. Impairment of financial assets at amortised cost (refer to note 2B (v))

v. Depreciation and amortisation (refer to note 2G, 2H and 2I)

vi. Defined benefit plan (refer to note 2J)

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

Saudi Awwal Bank

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viii. Provisions for lease liabilities

The Group recognizes the lease liabilities and right of use assets, on initial recognition, is based on discounted lease payments using the discount rate implicit in the lease over the lease term.

ix. Zakat and Income tax (refer to note 2M)

Judgments:

i. Determination of control over investees

The control indicators set out in note 1.1 (e) are subject to management's judgements.

ii. Classification of investments at amortised cost (refer to note 2B (i))

iii. Determination of significant influence over investees

The Group exercises judgements in assessing the significant influence over investees. The significant influence determination requires ongoing evaluation of the related facts and circumstances for each investment including governance arrangements, voting rights, underlying terms and conditions and material transactions with the investee.

iv. Equity vs liability for Tier 1 Sukuk

The Group classifies Sukuks issued with no fixed redemption / maturity dates (perpetual Sukuk), and where the Bank may elect not to pay profit, as part of equity. The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings. Management exerts judgment in the determination of equity classification for the Tier 1 Sukuk, after considering the terms and conditions in the Offering Circular.

v. Going concern

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

Saudi Awwal Bank

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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2. Material accounting policies, estimates, assumptions, and impact of changes due to adoption of new standards

A. Changes 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 standards and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 2024 replacing, amending, or adding to the corresponding accounting policies set out in 2023 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The following standards, interpretations or amendments are effective from the current year and are adopted by the Group, however, these do not have significant impact on the consolidated financial statements of the year.

Accounting Standards, interpretations, amendments	Description
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.
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 - Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity'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.

Saudi Awwal Bank

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Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and / or amendments, which will become effective from periods beginning on or after 1 January 2025. The Group has opted not to early adopt these pronouncements and is in the process of assessing the impact on the consolidated financial information of the Group.

Accounting Standards, interpretations, amendments	Description	Effective periods beginning on or after
Amendments to IAS 21 - Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. The 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 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 the 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.	1 January 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely

Saudi Awwal Bank

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

B. Financial assets and financial liabilities

i) Initial recognition, measurement and classification of financial assets

The Group on initial recognition classifies all of its financial assets based on the business model. Following are the three classifications:

Amortised Cost (AC):

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

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

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.

Fair value through other comprehensive income (FVOCI):

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

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

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

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

Fair value through statement of income (FVSI):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through statement of income. A gain or loss on a debt investment that is subsequently measured at fair value through statement of income and is not part of a hedging relationship is recognised in the consolidated statement of income in the year in which it arises.

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.

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

> the stated policies and objectives for the portfolio and the operation of those policies in practice;
> 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 realised.

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

Assessments whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

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.

ii) Initial recognition, measurement and classification of financial liabilities
All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. The Group recognises its financial liabilities at fair value. Subsequent to initial recognition, financial liabilities as measured at amortised cost using the Effective Interest Rate (EIR) except for financial liabilities at fair value through statement of income. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

iii) Derecognition

a. Financial assets
A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to the cash flows from the financial asset expires.

Saudi Awwal Bank
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In instances where the Group is assessed to have transferred a financial asset, the asset is derecognised if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Group has not retained control of the financial asset. The Group recognises separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition, any cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is included in the consolidated statement of income for the year. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities.

b. Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

iv) Modifications of financial assets and financial liabilities

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

In case the modification of asset does not result in de-recognition, the Group will recalculate the gross carrying amount of the asset by discounting the modified contractual cash-flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount is recognised in the consolidated statement of income for asset modification.

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

v) Impairment
The Group recognises provision for ECL on the following financial instruments that are not measured at FVSI:

> financial assets that are measured at amortised cost;
> debt instruments measured at FVOCI;
> financial guarantee contracts issued; and
> loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures provisions for ECL at an amount equal to lifetime ECL, except for the following, for which they are measured at 12 month ECL:

> debt investment securities that are determined to have low credit risk at the reporting date; and
> other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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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.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired. Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

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 (e.g. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
> financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
> undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
> financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure 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 Bank calculates ECL for these products, is five years for corporate, three years for credit cards and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

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

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

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Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL 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 interest rate of the existing financial asset.

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

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

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

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

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 interest rate on initial recognition. Consequently, POCI assets do not carry impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

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

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

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

Write-off

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

Collateral valuation

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

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their fair value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

vi) Financial guarantees and loan commitments

Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received.

Subsequent to the initial recognition, the Group's liability under each guarantee is measured at higher of the unamortised amount and the provision for ECL.

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

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group has issued no loan commitments that are measured at FVSI. For loan commitments, the Group recognises provision for ECL.

C. Trade date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the trade date e.g. the date on which the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

D. Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, special commission rate futures, forward rate agreements, currency and special commission rate swaps, currency, and special commission rate options (both written and purchased), are measured at fair value (premium received for written options). 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 generally obtained by reference to quoted market prices, discounted cash flow models or 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 for the year. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

ii) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through statement of income. The embedded derivatives separated from the host are carried at fair value in the trading derivatives portfolio with changes in fair value recognised in the consolidated statement of income.

iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. For the purpose of hedge accounting, hedges are classified into two categories; (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, 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 a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective e.g., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At the inception of the hedge, the risk management objective and strategy 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 effectiveness of the hedge is assessed on an ongoing basis.

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is recognised in the consolidated statement of income.

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Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the consolidated statement of income over the remaining life of the instrument. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

In relation to cash flow hedges, which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the consolidated statement of comprehensive income. The ineffective portion, if any, is recognised in the consolidated statement of income.

For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. On discontinuation of hedge accounting on cash flow hedges any cumulative gain or loss that was recognised in other reserves, is retained in Shareholders' equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other reserves is transferred to the consolidated statement of income for the year.

E. Revenue / expenses recognition

i. Special commission income and expense
Special commission income and expense for all commission-bearing financial instruments is recognised in the consolidated statement of income on an effective yield basis.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective commission rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as special commission income or expense. If the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognised using the original effective commission rate applied to the new carrying amount.

The calculation of the effective yield takes into account all contractual terms of the financial instruments (prepayment, options etc.) and includes all fees paid or received related transaction costs, and discounts or premiums that are an integral part of the effective commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

When the Group enters into special commission rate swap to change special commission from fixed to floating (or vice versa) the amount of special commission income or expense is adjusted by the net special commission on the swap.

Special commission income on Shariah approved products received but not earned is netted off against the related assets.

ii. Exchange income / loss
Exchange income/loss is recognised when earned / incurred.

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

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iv. Fees and commission income and expenses
Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. Loan commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost are recognised as an adjustment to the effective yield on the loan.

When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Asset management fee is recognised based on a fixed percentage of net assets under management ('asset-based'), or a percentage of returns from net assets ('returns-based') subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Group's efforts to transfer the services for that period. The asset management fee is not subject to any claw backs.

Advisory and investment banking services revenue is recognised based on services rendered under the applicable service contracts.

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

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the service is received. Any fee income received but not earned is classified under other liabilities.

v. Day one profit
Where the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from active markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of income in 'Gain/(loss) on FVSI financial instruments'. In cases where use is made of data which is not observable, the amount deferred should be recognized when there is a change in factors that market participants would take into account when pricing the asset or liability.

In some cases, the Group does not recognize a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input), nor based on a valuation technique that uses only data from observable markets.

vi. Customer Loyalty Program
The Group offers a customer loyalty program (reward points / air miles herein referred to as 'reward points'), which allows card members to earn points that can be redeemed for certain Partner outlets. The Group allocates a portion of the transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price. The amount of revenue allocated to reward points is deferred and released to the consolidated statement of income when reward points are redeemed under fee commission income. The related expenses for the customers' loyalty program are recognized under fee commission expense. The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

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F. Investment in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in an associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ('OCI') of equity-accounted investees, until the date on which significant influence ceases.

The consolidated statement of income reflects the Group's share of earnings of the associate.

The reporting dates of the associates is identical to the Group and their accounting policies conform to those used by the Group for liker transactions and events in similar circumstances. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

G. Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and impairment loss, if any. Freehold land is not depreciated.

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

Buildings	40 years
Leasehold improvements	Shorter of useful life or lease term
Furniture, equipment, and vehicles	3 to 10 years

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

The assets' residual values and useful lives 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.

H. Intangible assets

i. Goodwill

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including intangibles, liabilities, and contingent liabilities of the acquiree. When the excess is negative (bargain purchase), it is recognised immediately in the Group's consolidated statement of income.

Measurement

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment, they are written down if required.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated statement of income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

ii. Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the Group's consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

iii. Other intangibles

Acquired other intangibles are recognised at their cost upon initial recognition. The specific criteria which need to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either:

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset, or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Other intangibles are amortised using the straight-line method over the useful life of the asset, which is estimated to be 10 years for Purchased Credit Cards Relationships ('PCCR'), 14 years for Core Deposit Intangible ('CDI'), 5 years for brand and 11-12 years for Capital Markets ('CM'), Customer Relationships. If an indication of impairment arises, the recoverable amount is estimated, and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

The banking license has an indefinite life and is tested for impairment annually. For impairment testing purposes, the banking license is allocated to the relevant cash generating unit.

I. Leases

Right of use asset (RoU) / Lease liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets. The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of use assets

The Group applies a cost model, and measures right of use asset at cost;

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

Lease Liability

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

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any re-assessment or lease modification.

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

J. End of service benefits

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

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

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

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

K. Share based payments

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Group are offers shares at a predetermined price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Group

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delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions. The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date').

The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

L. 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 is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

M. Zakat and Income tax

Zakat

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

Income tax

The income tax expense for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate in Saudi Arabia, 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 regulations are 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.

Deferred 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 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.

Value Added tax (VAT)

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

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N. Islamic banking products

In addition to conventional banking, the Group also provides Shari'ah-compliant products, which are approved and supervised by an independent Shari'ah Committee established by SAB. All Shari'ah approved banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

Major non-special commission based Islamic products are as follow:

i. **Murabaha financing:** is an agreement whereby the Group sells to a customer an asset or a commodity, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin and is paid as agreed.
ii. **Istisna'a:** is a contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline
iii. **Ijarah:** is an agreement whereby the Group, acting as a lessor, purchases an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.
iv. **Musharaka:** is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.
v. **Tawarruq:** is a form of Murabaha transaction where the Group purchases a commodity and sells it to the customer at agreed-upon deferred installment terms. The customer sells the underlying commodity at spot to a third party and uses the proceeds for his financing requirements.
vi. **Mudaraba:** is a form of participation in profit where the client provides the capital to the Group or vice versa depending. the product type. The capital owner is called the Rab Almaal and the worker is Mudharib. The worker's duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, 'Rab Almaal' has to bear all the losses from his capital and the 'Midharib' loses his efforts.
vii. **Promise:** is a mandatory commitment by the Group to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedging against fluctuations in rates, index prices, and currency prices.
viii. **Murabaha deposit:** is based on commodity Murabaha. The Group acts as an agent for its customers in purchasing commodities on their behalf with their funds and then purchases these commodities for its own account from customers at an agreed-upon price and deferred maturities. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.
ix. **Shariah compliant foreign exchange products:** are offered to clients to hedge their existing exposure to foreign currencies. It is based on the concept of Waad (binding promise) where the Group promises to buy/sell a particular amount of foreign currency at an agreed upon price. It may include only one Waad or a combination of Waads.
x. **Shariah compliant rates products:** are offered to clients who have exposure to fixed/floating rates and need hedging solutions. The products are designed around the concept of Waad (binding promise) to enter into Murabaha where the profit is based on a rates index or formula. It may include only one Waad or a combination of Waads.

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3. Cash and balances with SAMA

	2024	2023
Cash in hand	1,794,960	1,775,854
Statutory deposit	15,164,156	13,746,941
Placements with SAMA	313,000	56,000
Other balances	90,576	1,162,440
Total	**17,362,692**	**16,741,235**

In accordance with the Banking Control Law and regulations issued by SAMA, SAB is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly average balances at the end of reporting period. The statutory deposit with SAMA is not available to finance SAB's day-to-day operations and therefore is not part of cash and cash equivalents (note 27). Placements with SAMA represents securities purchased under an agreement to re-sell (reverse repo) with SAMA. Balances with SAMA are investment grade as defined in note 5 (g).

4. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions are classified as follows:

	2024	2023
Current accounts	3,293,161	6,381,300
Money market placements	137,440	1,026,941
Provision for expected credit losses	(829)	(760)
Total	**3,429,772**	**7,407,481**

b) Movement in gross carrying amount

The following table explains changes in gross carrying amount of due from banks and other financial institutions to help explain their significance to the changes in the provision for ECL of the same portfolio:

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**7,407,642**	**-**	**599**	**-**	**7,408,241**
Transfer to Stage 1	599		(599)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	
Net other changes for the year	(3,977,640)	-	-	-	(3,977,640)
Balance as at 31 December 2024	**3,430,601**	**-**	**-**	**-**	**3,430,601**

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	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**5,873,421**	**-**	**-**	**-**	**5,873,421**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(217)	-	217	-	-
Net other changes for the year	1,534,438	-	382	-	1,534,820
Balance as at 31 December 2023	**7,407,642**	**-**	**599**	**-**	**7,408,241**

c) Credit quality analysis
The following table sets out information about the credit quality of due from banks and other financial institutions, net:

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit Impaired	Total
31 December 2024	**3,429,772**	**-**	**-**	**-**	**3,429,772**
31 December 2023	7,406,882	-	599	-	7,407,481

d) Movement in provision for expected credit losses
The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

	31 December 2024			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2024	**550**	**-**	**210**	**760**
Transfer from lifetime ECL credit impaired	210	-	(210)	-
Net change for the year	69	-	-	69
Balance as at 31 December 2024	**829**	**-**	**-**	**829**

	31 December 2023			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	**1,888**	**-**	**-**	**1,888**
Transfer to lifetime ECL credit impaired	(12)	-	12	-
Net change for the year	(1,326)	-	198	(1,128)
Balance as at 31 December 2023	**550**	**-**	**210**	**760**

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5. Investments, net

a) Investment securities are classified as follows:

	2024	2023
FVOCI – Debt	52,170,144	47,759,449
FVOCI – Equity	609,406	423,852
FVSI	1,003,051	1,017,062
Held at amortised cost	44,638,406	47,377,847
Provision for expected credit losses for investments held at amortised cost	(8,783)	(11,374)
Total	**98,412,224**	**96,566,836**

b) Movement in gross carrying amount
The following table explains changes in gross carrying amount of the investments to help explain their significance to the changes in the provision for ECL of the same portfolio.

> **FVOCI – Debt**

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**47,759,449**	**-**	**-**	**-**	**47,759,449**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	4,410,695	-	-	-	4,410,695
Balance as at 31 December 2024	**52,170,144**	**-**	**-**	**-**	**52,170,144**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**30,938,120**	**-**	**-**	**-**	**30,938,120**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	16,821,329	-	-	-	16,821,329
Balance as at 31 December 2023	**47,759,449**	**-**	**-**	**-**	**47,759,449**

> **Held at amortised cost**

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**47,377,847**	**-**	**-**	**-**	**47,377,847**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(2,739,441)	-	-	-	(2,739,441)
Balance as at 31 December 2024	**44,638,406**	**-**	**-**	**-**	**44,638,406**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**54,252,894**	**-**	**-**	**-**	**54,252,894**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(6,875,047)	-	-	-	(6,875,047)
Balance as at 31 December 2023	**47,377,847**	**-**	**-**	**-**	**47,377,847**

c) Investments by type of securities

	Domestic		International		Total	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Fixed rate securities	72,942,492	76,351,154	7,788,478	6,866,745	80,730,970	83,217,899
Floating rate securities	16,500,509	12,422,644	-	-	16,500,509	12,422,644
Equities and mutual funds	1,168,282	916,045	12,463	10,248	1,180,745	926,293
Total	**90,611,283**	**89,689,843**	**7,800,941**	**6,876,993**	**98,412,224**	**96,566,836**

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d) Movement in provision for expected credit losses

An analysis of changes in provision for ECL of debt instruments measured at amortized cost, is as follows:

2024	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2024	**11,374**	**-**	**-**	**11,374**
Net change for the year	(2,591)	-	-	(2,591)
Balance as at 31 December 2024	**8,783**	**-**	**-**	**8,783**

2023	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2023	**9,461**	**-**	**-**	**9,461**
Net change for the year	1,913	-	-	1,913
Balance as at 31 December 2023	**11,374**	**-**	**-**	**11,374**

An analysis of changes in provision for ECL of debt instruments measured at FVOCI, is as follows:

2024	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2024	**10,152**	**-**	**-**	**10,152**
Net change for the year	1,458	-	-	1,458
Balance as at 31 December 2024	**11,610**	**-**	**-**	**11,610**

2023	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2023	**7,353**	**-**	**-**	**7,353**
Net change for the year	2,799	-	-	2,799
Balance as at 31 December 2023	**10,152**	**-**	**-**	**10,152**

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

	2024			2023		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed rate securities	78,644,631	2,086,339	80,730,970	80,876,282	2,341,617	83,217,899
Floating rate securities	13,752,999	2,747,510	16,500,509	8,499,725	3,922,919	12,422,644
Equities and mutual funds	962,642	218,103	1,180,745	743,919	182,374	926,293
Total	**93,360,272**	**5,051,952**	**98,412,224**	**90,119,926**	**6,446,910**	**96,566,836**

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f) The Investments, net includes Shariah based investments as below:

	2024	2023
Debt instruments:		
Sukuk	79,137,057	70,558,359
Provision for expected credit losses	(8,187)	(9,149)
	79,128,870	**70,549,210**
Equities and mutual funds	485,562	461,999
Total	**79,614,432**	**71,011,209**

g) The analysis of investments by external ratings grade

The following table sets out information about the credit quality of investment which are defined as below:

- Investment Grade is composed of Strong Credit Quality (AAA to BBB-) or equivalent.
- Non-Investment Grade is composed of: Good, Satisfactory and Special Mention Credit Quality (BB+ to C) or equivalent.
- Unrated include securities which do not have a current or valid rating by a credit rating agency.

31 December 2024	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	43,720,871	50,722,726	851,715	95,295,312
Non-investment grade	-	679,639	-	679,639
Unrated	908,752	1,377,185	151,336	2,437,273
Total	**44,629,623**	**52,779,550**	**1,003,051**	**98,412,224**

31 December 2023	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	46,514,481	46,199,838	514,618	93,228,937
Non-investment grade	-	1,166,152	-	1,166,152
Unrated	851,992	817,311	502,444	2,171,747
Total	**47,366,473**	**48,183,301**	**1,017,062**	**96,566,836**

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

	2024	2023
Government and quasi government	84,466,808	80,705,930
Corporate	6,494,332	6,730,785
Banks and other financial institutions	7,249,553	8,964,542
Others	201,531	165,579
Total	**98,412,224**	**96,566,836**

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6. Loans and advances, net

a) Loans and advances comprise of the following:

	2024			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	3,429,308	60,464,399	175,649,961	239,543,668
Lifetime ECL not credit impaired	128,065	2,154,682	16,014,621	18,297,368
Lifetime ECL credit impaired	84,482	681,965	3,274,578	4,041,025
Purchased or originated credit impaired	83	121,470	3,600,503	3,722,056
Total loans and advances, gross	**3,641,938**	**63,422,516**	**198,539,663**	**265,604,117**
Provision for Expected credit losses	(245,107)	(791,755)	(5,221,739)	(6,258,601)
Loans and advances, net	**3,396,831**	**62,630,761**	**193,317,924**	**259,345,516**
Non-performing loans and advances	47,481	406,395	3,159,275	3,613,151

	2023			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,967,942	49,078,628	138,385,203	190,431,773
Lifetime ECL not credit impaired	111,496	2,147,838	21,300,335	23,559,669
Lifetime ECL credit impaired	54,937	679,699	3,525,019	4,259,655
Purchased or originated credit impaired	184	127,141	3,685,794	3,813,119
Total loans and advances, gross	**3,134,559**	**52,033,306**	**166,896,351**	**222,064,216**
Provision for Expected credit losses	(213,565)	(741,663)	(5,173,143)	(6,128,371)
Loans and advances, net	**2,920,994**	**51,291,643**	**161,723,208**	**215,935,845**
Non-performing loans and advances	34,509	341,511	3,499,224	3,875,244

Lifetime ECL credit impaired includes non-performing loans and advances. It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category. The financial assets recorded in each stage have the following characteristics:

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12-month allowance for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the expected lifetime credit losses at time of purchase or origination. A lifetime ECL is recognised if further credit losses are expected. POCI includes non-performing loans and advances acquired through the merger with AAB that were recorded at fair value as of acquisition date.

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b) Movement in gross carrying amount
The following table further explains changes in gross carrying amount of the loans and advances to help explain their significance to the changes in the provision for ECL of the same portfolio:

> **Credit cards**

	Non-credit impaired		Credit impaired		
2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**2,967,942**	**111,496**	**54,937**	**184**	**3,134,559**
Transfer to Stage 1	34,669	(28,630)	(6,039)	-	-
Transfer to Stage 2	(79,785)	85,052	(5,267)	-	-
Transfer to Stage 3	(33,608)	(13,598)	47,206	-	-
Net other changes for the year	540,090	(26,255)	81,735	(101)	595,469
Write-offs	-	-	(88,090)	-	(88,090)
Balance as at 31 December 2024	**3,429,308**	**128,065**	**84,482**	**83**	**3,641,938**

	Non-credit impaired		Credit impaired		
2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	**2,406,246**	**112,842**	**52,208**	**85**	**2,571,381**
Transfer to Stage 1	39,590	(34,047)	(5,543)	-	-
Transfer to Stage 2	(62,446)	69,627	(7,181)	-	-
Transfer to Stage 3	(28,657)	(12,616)	41,273	-	-
Net other changes for the year	613,209	(24,310)	50,413	99	639,411
Write-offs	-	-	(76,233)	-	(76,233)
Balance as at 31 December 2023	**2,967,942**	**111,496**	**54,937**	**184**	**3,134,559**

> **Other retail lending**

	Non-credit impaired		Credit impaired		
2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**49,078,628**	**2,147,838**	**679,699**	**127,141**	**52,033,306**
Transfer to Stage 1	565,423	(537,369)	(28,054)	-	-
Transfer to Stage 2	(694,503)	934,682	(240,179)	-	-
Transfer to Stage 3	(181,730)	(185,630)	367,360	-	-
Net other changes for the year	11,696,581	(204,839)	158,959	(5,671)	11,645,030
Write-offs	-	-	(255,820)	-	(255,820)
Balance as at 31 December 2024	**60,464,399**	**2,154,682**	**681,965**	**121,470**	**63,422,516**

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	Non-credit impaired		Credit impaired		
2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	**41,648,747**	**2,401,715**	**826,047**	**147,568**	**45,024,077**
Transfer to Stage 1	687,446	(524,744)	(162,702)	-	-
Transfer to Stage 2	(549,833)	811,052	(261,219)	-	-
Transfer to Stage 3	(127,171)	(177,288)	304,459	-	-
Net other changes for the year	7,419,439	(362,897)	195,353	(20,427)	7,231,468
Write-offs	-	-	(222,239)	-	(222,239)
Balance as at 31 December 2023	**49,078,628**	**2,147,838**	**679,699**	**127,141**	**52,033,306**

> **Corporate and institutional lending**

	Non-credit impaired		Credit impaired		
2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**138,385,203**	**21,300,335**	**3,525,019**	**3,685,794**	**166,896,351**
Transfer to Stage 1	292,826	(292,826)	-	-	-
Transfer to Stage 2	(1,659,605)	1,659,605	-	-	-
Transfer to Stage 3	(26,289)	(11,926)	38,215	-	-
Net other changes for the year	38,657,826	(6,640,567)	157,076	(85,291)	32,089,044
Write-offs	-	-	(445,732)	-	(445,732)
Balance as at 31 December 2024	**175,649,961**	**16,014,621**	**3,274,578**	**3,600,503**	**198,539,663**

	Non-credit impaired		Credit impaired		
2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	**113,788,692**	**20,048,085**	**4,016,719**	**3,693,775**	**141,547,271**
Transfer to Stage 1	19,323	(19,323)	-	-	-
Transfer to Stage 2	(1,543,676)	1,544,673	(997)	-	-
Transfer to Stage 3	(3,871)	(38,749)	42,620	-	-
Net other changes for the year	26,124,735	(234,351)	280,404	(7,981)	26,162,807
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**138,385,203**	**21,300,335**	**3,525,019**	**3,685,794**	**166,896,351**

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c) Movement in provision for expected credit losses

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against loans and advances.

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**814,617**	**2,345,382**	**2,274,799**	**693,573**	**6,128,371**
Transfer to Stage 1	50,527	(36,466)	(14,061)	-	-
Transfer to Stage 2	(19,276)	93,345	(74,069)	-	-
Transfer to Stage 3	(6,587)	(32,846)	39,433	-	-
Net re-measurement of loss allowance	(154,760)	(198,818)	388,551	540,989	575,962
Write-offs	-	-	(445,732)	-	(445,732)
Balance as at 31 December 2024	**684,521**	**2,170,597**	**2,168,921**	**1,234,562**	**6,258,601**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**573,972**	**2,177,072**	**2,806,054**	**453,382**	**6,010,480**
Transfer to Stage 1	94,271	(30,377)	(63,894)	-	-
Transfer to Stage 2	(12,241)	89,006	(76,765)	-	-
Transfer to Stage 3	(3,225)	(31,520)	34,745	-	-
Net re-measurement of loss allowance	161,840	141,201	388,386	240,191	931,618
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**814,617**	**2,345,382**	**2,274,799**	**693,573**	**6,128,371**

> Credit cards

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**132,054**	**39,967**	**41,544**	**-**	**213,565**
Transfer to Stage 1	11,049	(6,753)	(4,296)	-	-
Transfer to Stage 2	(4,911)	8,739	(3,828)	-	-
Transfer to Stage 3	(2,592)	(4,925)	7,517	-	-
Net re-measurement of loss allowance	(512)	2,873	29,181	-	31,542
Balance as at 31 December 2024	**135,088**	**39,901**	**70,118**	**-**	**245,107**

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	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**107,649**	**39,632**	**39,218**	**-**	**186,499**
Transfer to Stage 1	11,626	(7,721)	(3,905)	-	-
Transfer to Stage 2	(4,257)	9,549	(5,292)	-	-
Transfer to Stage 3	(1,882)	(4,174)	6,056	-	-
Net re-measurement of loss allowance	18,918	2,681	5,467	-	27,066
Balance as at 31 December 2023	**132,054**	**39,967**	**41,544**	**-**	**213,565**

> Other retail lending

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**269,826**	**147,235**	**251,925**	**72,677**	**741,663**
Transfer to Stage 1	32,162	(22,397)	(9,765)	-	-
Transfer to Stage 2	(8,939)	79,180	(70,241)	-	-
Transfer to Stage 3	(3,607)	(26,829)	30,436	-	-
Net re-measurement of loss allowance	(33,012)	(17,732)	69,384	31,452	50,092
Balance as at 31 December 2024	**256,430**	**159,457**	**271,739**	**104,129**	**791,755**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**205,737**	**141,324**	**288,794**	**71,030**	**706,885**
Transfer to Stage 1	82,162	(22,173)	(59,989)	-	-
Transfer to Stage 2	(6,153)	77,127	(70,974)	-	-
Transfer to Stage 3	(1,318)	(24,123)	25,441	-	-
Net re-measurement of loss allowance	(10,602)	(24,920)	68,653	1,647	34,778
Balance as at 31 December 2023	**269,826**	**147,235**	**251,925**	**72,677**	**741,663**

> Corporate and Institutional lending

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**412,737**	**2,158,180**	**1,981,330**	**620,896**	**5,173,143**
Transfer to Stage 1	7,316	(7,316)	-	-	-
Transfer to Stage 2	(5,426)	5,426	-	-	-
Transfer to Stage 3	(388)	(1,092)	1,480	-	-
Net re-measurement of loss allowance	(121,236)	(183,959)	289,986	509,537	494,328
Write-offs	-	-	(445,732)		(445,732)
Balance as at 31 December 2024	**293,003**	**1,971,239**	**1,827,064**	**1,130,433**	**5,221,739**

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	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**260,586**	**1,996,116**	**2,478,042**	**382,352**	**5,117,096**
Transfer to Stage 1	483	(483)	-	-	-
Transfer to Stage 2	(1,831)	2,330	(499)	-	-
Transfer to Stage 3	(25)	(3,223)	3,248	-	-
Net re-measurement of loss allowance	153,524	163,440	314,266	238,544	869,774
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**412,737**	**2,158,180**	**1,981,330**	**620,896**	**5,173,143**

d) Economic sector risk concentrations for the loans and advances are as follows:

2024	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances, net
Government and quasi government	3,455,805	-	-	(437)	3,455,368
Finance	17,416,554	16,021	-	(56,750)	17,375,825
Agriculture and fishing	936,558	-	241	(7,075)	929,724
Manufacturing	22,682,081	853,833	668,470	(769,996)	23,434,388
Mining and quarrying	8,640,476	-	34	(17,445)	8,623,065
Electricity, water, gas, and health Services	25,974,525	-	385,493	(280,640)	26,079,378
Building and construction	16,141,996	705,241	915,579	(1,127,479)	16,635,337
Commerce	61,849,467	1,253,865	1,379,726	(2,631,087)	61,851,971
Transportation and communication	13,898,176	3,114	1,876	(46,586)	13,856,580
Services	11,076,207	252,335	123,558	(249,402)	11,202,698
Credit cards and other retail lending	66,489,025	453,876	121,553	(1,036,862)	66,027,592
Others	9,708,040	74,866	125,526	(34,842)	9,873,590
Total	**258,268,910**	**3,613,151**	**3,722,056**	**(6,258,601)**	**259,345,516**

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2023	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances, net
Government and quasi government	-	-	-	-	-
Finance	11,510,254	16,021	-	(43,250)	11,483,025
Agriculture and fishing	629,659	-	241	(27,187)	602,713
Manufacturing	21,737,788	698,518	738,974	(500,348)	22,674,932
Mining and quarrying	7,200,480	-	612	(20,010)	7,181,082
Electricity, water, gas, and health Services	20,785,568	-	385,706	(117,800)	21,053,474
Building and construction	16,099,169	586,322	892,596	(1,532,425)	16,045,662
Commerce	50,673,552	1,792,344	1,421,785	(2,518,253)	51,369,428
Transportation and communication	12,993,096	3,330	1,877	(20,050)	12,978,253
Services	10,384,370	372,442	121,593	(354,646)	10,523,759
Credit cards and other retail lending	54,664,520	376,020	127,325	(955,228)	54,212,637
Others	7,697,399	30,245	122,410	(39,174)	7,810,880
Total	**214,375,855**	**3,875,242**	**3,813,119**	**(6,128,371)**	**215,935,845**

e) The following table sets out information about the credit quality of loans and advances. The amounts in the table represent gross carrying amounts.

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	42,781,292	-	-	-	42,781,292
Good	100,916,950	935,920	-	-	101,852,870
Satisfactory	31,951,719	10,680,257	11,821	-	42,643,797
Special mention	-	4,398,444	103,481	-	4,501,925
Unrated	63,893,707	2,282,747	312,572	-	66,489,026
Non-performing	-	-	3,613,151	3,722,056	7,335,207
Total	**239,543,668**	**18,297,368**	**4,041,025**	**3,722,056**	**265,604,117**

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	35,391,651	240,000	-	-	35,631,651
Good	78,217,247	3,212,795	-	-	81,430,042
Satisfactory	24,776,306	10,076,695	25,796	-	34,878,797
Special mention	-	7,770,845	-	-	7,770,845
Unrated	52,046,569	2,259,334	358,615	-	54,664,518
Non-performing	-	-	3,875,244	3,813,119	7,688,363
Total	**190,431,773**	**23,559,669**	**4,259,655**	**3,813,119**	**222,064,216**

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- **Strong:** Financial status, capitalisation, earnings, liquidity, cash generation and management will all be of highest quality. A strong capacity to meet longer-term and short-term financial commitments.
- **Good:** Financial condition exhibits no major adverse trends prevalent. Capacity to meet medium and short-term financial commitments is considered fair, but more sensitive to external changes or market conditions.
- **Satisfactory:** A counterparty whose financial position is average but not strong. The overall position will not be causing any immediate concern, but more regular monitoring will be necessary as a result of susceptibilities to external changes or market conditions.
- **Special mention:** Financial condition weak and capacity, or inclination, to repay, is in doubt. The financial status of the borrower requires close monitoring and ongoing assessment.
- **Unrated:** Represents performing retail loans and advances that are not rated.
- **Non-performing:** A counterparty who is classified as in default or as POCI

f) Shariah loans and advances

2024	Credit cards	Other retail lending	Corporate and institutional lending	Total
Tawarruq	3,641,938	32,883,343	123,314,295	159,839,576
Murabaha	-	20,122,832	3,977,744	24,100,576
Ijarah	-	6,303,352	14,973,532	21,276,884
Total Shariah based loans and advances	**3,641,938**	**59,309,527**	**142,265,571**	**205,217,036**
Provision for expected credit losses	(245,107)	(761,820)	(2,964,246)	(3,971,173)
Shariah based loans and advances, net	**3,396,831**	**58,547,707**	**139,301,325**	**201,245,863**

2023	Credit cards	Other retail lending	Corporate and institutional lending	Total
Tawarruq	3,134,559	27,830,578	107,855,299	138,820,436
Murabaha	-	7,237,989	9,219,498	16,457,487
Ijarah	-	14,447,989	2,669,164	17,117,153
Total Shariah based loans and advances	**3,134,559**	**49,516,556**	**119,743,961**	**172,395,076**
Provision for expected credit losses	(213,565)	(729,385)	(3,139,236)	(4,082,186)
Shariah based loans and advances, net	**2,920,994**	**48,787,171**	**116,604,725**	**168,312,890**

g) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. This collateral mostly includes time, demand, other cash deposits, financial guarantees, local and international equities, real estate, project proceeds and other fixed assets. The collateral is held against commercial and consumer loans and are managed against relevant exposures at their net realisable 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. As of 31 December 2024, the fair value of collateral held against those loans and advances amount to ⃁ 1,552 million (2023: ⃁ 1,446 million).

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7. Investment in an associate

	2024	2023
HSBC Saudi Arabia		
Balance at beginning of the year	**462,046**	**599,289**
Share in earnings	205,369	188,214
Dividend received	(204,065)	(325,457)
Balance at end of the year	**463,350**	**462,046**

The associate's financial statements:

	2024	2023
Total Assets	1,320,815	1,317,770
Total Liabilities	416,397	412,951
Total Equity	904,418	904,819
Total Income	862,461	777,379
Total expenses	467,220	384,304

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

2024	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**2,611,753**	**1,563,699**	**1,038,497**	**5,213,949**
Additions	237,568	21,869	118,506	377,943
Disposals	(299,548)	(236,886)	(343,582)	(880,016)
As at 31 December	**2,549,773**	**1,348,682**	**813,421**	**4,711,876**
Accumulated depreciation:				
As at 1 January	**420,903**	**1,118,577**	**817,221**	**2,356,701**
Charge for the year	45,442	113,768	91,240	250,450
Disposals	(54,594)	(236,885)	(343,582)	(635,061)
As at 31 December	**411,751**	**995,460**	**564,879**	**1,972,090**
Net book value:				
As at 31 December	**2,138,022**	**353,222**	**248,542**	**2,739,786**
Capital work in progress				**1,347,775**
Total				**4,087,561**

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2023	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**1,585,031**	**1,612,371**	**836,879**	**4,034,281**
Additions / re-measurement	1,152,772	17,222	202,283	1,372,277
Disposals	(126,050)	(65,894)	(665)	(192,609)
As at 31 December	**2,611,753**	**1,563,699**	**1,038,497**	**5,213,949**
Accumulated depreciation:				
As at 1 January	**405,458**	**1,058,418**	**748,217**	**2,212,093**
Charge for the year	15,445	126,053	69,406	210,904
Disposals	-	(65,894)	(402)	(66,296)
As at 31 December	**420,903**	**1,118,577**	**817,221**	**2,356,701**
Net book value:				
As at 31 December	**2,190,850**	**445,122**	**221,276**	**2,857,248**
Capital work in progress				**987,678**
Total				**3,844,926**

The movement of ROU is as below:

	2024	2023
Cost:		
As at 1 January	**858,248**	**907,747**
Additions / re-measurement	17,857	16,395
Terminations	(236,874)	(65,894)
As at 31 December	**639,231**	**858,248**
Accumulated depreciation:		
As at 1 January	**455,871**	**408,316**
Charge for the year	101,757	113,449
Terminations	(236,874)	(65,894)
As at 31 December	**320,754**	**455,871**
Net book value	**318,477**	**402,377**

9. Goodwill and other intangibles, net

Intangibles comprise of the following:

	2024	2023
Amounts arising from acquisitions:		
Goodwill	8,778,091	8,778,091
Other intangibles	1,352,800	1,519,279
Software	529,577	258,997
Total	**10,660,468**	**10,556,367**

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2024	Goodwill	Software	Customer relationship PCCR-	Core deposit intangible	Brand	Customer relationship – CM	Carbon Offsets	Total
Cost:								
As at 1 January	**16,195,867**	**982,923**	**71,200**	**1,875,400**	**75,000**	**228,601**	**-**	**19,428,991**
Additions	-	395,825	-	-	-	-	4,958	400,783
Disposal	-	(307,703)	-	-	-	-	-	(307,703)
As at 31 December	**16,195,867**	**1,071,045**	**71,200**	**1,875,400**	**75,000**	**228,601**	**4,958**	**19,522,071**
Accumulated impairment / amortization:								
As at 1 January	**7,417,776**	**723,926**	**32,040**	**602,807**	**67,500**	**28,575**	**-**	**8,872,624**
Charge for the year	-	124,759	7,120	133,957	7,500	22,860	-	296,196
Disposal	-	(307,217)	-	-	-	-	-	(307,217)
As at 31 December	**7,417,776**	**541,468**	**39,160**	**736,764**	**75,000**	**51,435**	**-**	**8,861,603**
Net book value								
As at 31 December	**8,778,091**	**529,577**	**32,040**	**1,138,636**	**-**	**177,166**	**4,958**	**10,660,468**

2023	Goodwill	Software	Customer relationship PCCR-	Core deposit intangible	Brand	Customer relationship – CM	Carbon Offsets	Total
Cost:								
As at 1 January (restated)	**16,195,867**	**862,339**	**71,200**	**1,875,400**	**75,000**	**228,601**	**-**	**19,308,407**
Additions	-	120,584	-	-	-	-	-	120,584
As at 31 December	**16,195,867**	**982,923**	**71,200**	**1,875,400**	**75,000**	**228,601**	**-**	**19,428,991**
Accumulated impairment / amortization:								
As at 1 January	**7,417,776**	**548,164**	**24,920**	**468,850**	**52,500**	**5,715**	**-**	**8,517,925**
Charge for the year	-	175,762	7,120	133,957	15,000	22,860	-	354,699
As at 31 December	**7,417,776**	**723,926**	**32,040**	**602,807**	**67,500**	**28,575**	**-**	**8,872,624**
Net book value								
As at 31 December	**8,778,091**	**258,997**	**39,160**	**1,272,593**	**7,500**	**200,026**	**-**	**10,556,367**

Impairment testing of goodwill

The goodwill acquired through business combination is reviewed annually for impairment. At each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. The impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. The goodwill has been allocated to the following cash-generating units:

- Wealth & personal banking
- Corporate and institutional banking
- Treasury

Key assumptions used to value-in-use calculation

The recoverable amount of the cash-generating units has been determined based on a value in use calculation. The VIU

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model uses projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a (long-term) terminal growth rate.

The calculation of VIU in the CGUs is mainly driven by the following assumptions:

- Economic outlook, notably the projected nominal Gross Domestic Product ('GDP');
- Discount rates;
- Long term assets growth rates;
- Benchmark interest rates and net special commission income margins;
- Future cost of risk from expected credit losses;
- Local inflation rates; and
- Target Capital ratio and profit retention.

The following key assumptions were used in the calculation of the VIU:

- Discount rate of 10.69% (2023: 10.02%), which is derived using a weighted average cost of capital "WACC" that calculates the cost of capital by applying weightage of equity and debt to their respective cost of financing.
- Long term asset growth rate of 4.0% (2023: 4.0%), applied to projected periods beyond 2029.
- Long-term profit growth rate of 5.57% (2023: 4.89%), derived from economic intelligent units' forecasts of nominal GDP for KSA adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2029.

Key assumptions used in impairment testing for goodwill

The calculation of value in use in the cash-generating units is sensitive to the following assumptions:

- interest margins;
- discount rates;
- projected growth rates used to extrapolate cash flows beyond the projection period; and
- current Kingdom of Saudi Arabia nominal GDP.

Interest margins

Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates

Discount rates reflect management's estimate of weighted average cost of capital required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using a capital asset pricing model.

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Projected growth rate, GDP, and local inflation rates

On 31 December 2024, the goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill was allocated to the following CGUs:

Cash generating units	Goodwill allocated 2024
Wealth & personal banking	4,649,572
Corporate and institutional banking	771,772
Treasury	3,356,747

The forecasted cash flows have been discounted using the discount rate mentioned above. A 1% increase in the discount rate or decrease in the terminal growth rate keeping other factors constant would reduce the recoverable amount of the CGUs as mentioned in the table below:

	31 December 2024 Impact on the recoverable amount of CGUs	
Cash generating units	1% increase in discount rate (⃁ million)	1% decrease in terminal growth rate (⃁ million)
Wealth & personal banking	(4,613)	(3,941)
Corporate and institutional banking	(9,898)	(8,422)
Treasury	(2,862)	(2,639)

	31 December 2023 Impact on the recoverable amount of CGUs	
Cash generating units	1% increase in discount rate (⃁ million)	1% decrease in terminal growth rate (⃁ million)
Wealth & personal banking	(4,986)	(4,234)
Corporate and institutional banking	(11,338)	(9,625)
Treasury	(2,929)	(2,488)

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10. Other assets

	Note	2024	2023
Accounts receivable		1,609,221	1,947,676
Collateral margin		976,126	54,922
Deferred tax	26	167,371	264,131
Others		297,300	491,789
Total		**3,050,018**	**2,758,518**

11. Derivatives
In the ordinary course of business, the Group uses the following derivative financial instruments for both trading and hedging purposes:

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

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

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

Risk-related adjustments

Bid-offer:
Valuation models generates mid-market values. The bid-offer adjustment reflects the extent to which bid-offer cost would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Credit valuation adjustment (CVA):
The credit valuation adjustment is an adjustment to the valuation of Over the Counter (OTC) derivative contracts to reflect within fair value the possibility that the counterparty may default and that SAB may not receive the full market value of the transactions.

Debit valuation adjustment (DVA):
The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that SAB may default, and that SAB may not pay the full market value of the transactions.

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Credit valuation adjustment/debit valuation adjustment methodology:
SAB calculates a separate CVA and DVA for each counterparty to which the entity has exposure. SAB calculates the CVA by applying the probability of default ('PD') of the counterparty conditional on the non-default of SAB to the expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default.

Conversely, SAB calculates the DVA by applying the PD of SAB, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to SAB and multiplying by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

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

Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk (see note 30 - financial risk management, note 31 - market risk and note 32 - liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in various asset classes including, but not limited to foreign exchange, interest rates and commodities within acceptable levels, as determined by the Board Risk Committee within the guidelines issued by SAMA. The Board Risk Committee establishes the levels of risk appetite for the Bank. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to maintain special commission rate gaps within the established limits.

As part of its asset and liability management process, the Group uses derivatives for hedging purposes in order to adjust its exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statement of financial position exposures. Strategic hedging other than portfolio hedging does not qualify for hedge accounting and the related derivatives are accounted for as held for trading. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures. The Group also uses special commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including the details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Hedge effectiveness testing
To qualify for hedge accounting, SAB requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective both prospectively and retrospectively, on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed, and the method adopted by an entity to assess hedge effectiveness will depend on its risk management strategy. For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, with the effectiveness range being defined as 80% to 125%. Hedge ineffectiveness is recognised in the consolidated statement of income 'Income from FVSI financial instruments'. For Cash flow hedges 'the critical terms matches' methodology is used at time of designation of hedge.

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Source of ineffectiveness for fair value hedges and cash flow hedges

Possible source of ineffectiveness for fair value hedges and cash flow hedges are as follows:

- difference between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedge item and hedge instrument, as cash collateralized interest rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralized interest rate swaps but not the hedge items.

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets which bear special commission income at a variable rate. The Group uses commission rate/cross - currency swaps as cash flow hedges to hedge these special commission rate risks.

Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect statement of income:

2024	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	219,750	203,689	30,416	-
Net cash inflow	**219,750**	**203,689**	**30,416**	**-**
2023				
Cash inflows (assets)	180,557	451,469	52,111	13,177
Net cash inflow	**180,557**	**451,469**	**52,111**	**13,177**

The schedule reflects special commission income cash flows expected to arise on the hedged items in cash flow hedges based on the repricing profile of the hedged assets and liabilities. The tables below show the positive and negative fair values of derivative financial instruments held, together with their notional amounts as at 31 December, analysed by the term to maturity.

The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved.

These notional amounts, therefore, are neither indicative of the Group's exposure to market risk nor credit risk, which is generally limited to the positive/negative fair value of the derivatives.

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			Notional amounts by term to maturity				
2024	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	2,258,153	(2,135,384)	113,946,402	7,513,500	6,316,483	56,076,167	44,040,252
Special commission rate options	228,736	(240,401)	8,958,872	222,000	1,062,500	4,824,372	2,850,000
Forward foreign exchange contracts	48,823	(58,496)	11,624,832	9,187,352	2,437,480	-	-
Currency swaps	10,866	(9,478)	4,017,111	187,500		3,829,611	
Commodity Swap	21,699	(21,059)	975,659	769,139	206,520	-	-
Derivatives held as fair value hedges:							
Special commission rate swaps	62,662	(51,194)	6,422,500	-	-	4,812,500	1,610,000
Derivatives held as cash flow hedges:							
Special commission rate swaps	269	(30,192)	4,285,000	-	-	4,285,000	-
Total	**2,631,208**	**(2,546,204)**	**150,230,376**	**17,879,491**	**10,022,983**	**73,827,650**	**48,500,252**
Fair values of netting arrangements	**705,948**	**(69,104)**					
Cash collateral, net	**(118,120)**	**608,012**					
Fair values after netting	**587,828**	**538,908**					

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2023	Positive fair value	Negative fair value	Notional amounts by term to maturity: Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	1,809,112	(1,692,732)	88,912,539	3,277,765	11,027,021	34,818,287	39,789,466
Special commission rate options	221,240	(227,245)	6,545,126	225,313	977,313	2,040,500	3,302,000
Forward foreign exchange contracts	94,477	(64,097)	16,189,169	14,571,392	1,617,777	-	-
Currency swaps	785	(465)	1,687,500	-	-	1,687,500	-
Derivatives held as fair value hedges:							
Special commission rate swaps	214,550	(222,705)	9,075,000	400,000	337,500	1,762,500	6,575,000
Derivatives held as cash flow hedges:							
Special commission rate swaps	24,624	(22,574)	3,566,000	-	-	3,281,000	285,000
Currency swaps	3,594	(1,652)	75,000	75,000	-	-	-
Total	**2,368,382**	**(2,231,470)**	**126,050,334**	**18,549,470**	**13,959,611**	**43,589,787**	**49,951,466**
Fair values of netting arrangements	**526,248**	**(177,869)**					
Cash collateral, net	**(355,372)**	**300,450**					
Fair values after netting	**170,876**	**122,581**					

The Group enters into structured currency option products with clients which involve one or more derivatives included in the structure. In such instances, the fair value of the individual structured product represents a net valuation of the underlying derivatives. The sum of all option notional amounts included in each structure, as of the reporting date, is disclosed in the table above.

Shariah approved derivative products as below:

2024	Positive fair value	Negative fair value	Notional amounts by term to maturity: Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	21,732	(199,141)	14,454,783	11,000	1,631,283	6,883,615	5,928,885
Special commission rate options	46,128	(4,813)	749,410	-	-	449,410	300,000
Currency swaps	2,132		468,750	-	-	468,750	-
Commodity swaps	16,750	(370)	401,914	314,872	87,042	-	-
Total	**86,742**	**(204,324)**	**16,074,857**	**325,872**	**1,718,325**	**7,801,775**	**6,228,885**

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2023	Positive fair value	Negative fair value	Notional amounts by term to maturity: Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	25,198	(119,995)	8,686,345	90,516	446,163	4,086,733	4,062,933
Special commission rate options	33,381	(5,256)	639,541	-	63,541	50,000	526,000
Total	**58,579**	**(125,251)**	**9,325,886**	**90,516**	**509,704**	**4,136,733**	**4,588,933**

The tables below show a summary of the hedged items, the nature of the risk being hedged, the hedging instruments and their fair values.

2024	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of the hedged items:						
Fixed commission rate investments	5,987,519	6,422,500	Fair value	Special commission rate swap	62,662	(51,194)
Floating commission rate options	4,281,466	4,285,000	Cash flow	Special commission rate swap	269	(30,192)
Fixed commission rate investments	-	-	Cash flow	Currency swap	-	-

2023	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of the hedged items:						
Fixed commission rate investments	8,653,731	9,019,750	Fair value	Special commission rate swap	214,550	(222,705)
Floating commission rate options	3,565,347	3,566,000	Cash flow	Special commission rate swap	24,624	(22,574)
Fixed commission rate investments	74,624	75,000	Cash flow	Currency swap	3,594	(1,652)

Approximately 90% (2023: 86%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and out of which 83% (2023: 78%) of the positive fair value contracts are with a single counterparty at the year end.

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The amounts relating to items designated as hedged items as follows:

2024	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item		Line item in the consolidated statement of financial position in which hedge item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Held as fair value hedges:							
Government Bonds/Sukuk	5,987,519	-	(22,100)	-	Investment at FVOCI and Amortised cost	(6,596)	(140,537)
Total	**5,987,519**	**-**	**(22,100)**	**-**		**(6,596)**	**(140,537)**

2023	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item		Line item in the consolidated statement of financial position in which hedge item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value adjustments remaining in the statement of financial position for any hedge items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Held as fair value hedges:							
Government Bonds/Sukuk	8,653,731	-	(15,504)	-	Investment at FVOCI and Amortised cost	477,095	(207,747)
Total	**8,653,731**	**-**	**(15,504)**	**-**		**477,095**	**(207,747)**

The amounts relating items designated as hedging instruments and hedge ineffectiveness as follows:

2024	Positive fair value	Negative fair value	Notional amount Total	Change in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
Held as cash flow hedges:							
Special Commission rate swaps	269	(30,193)	4,285,000	2,586	2,586	-	(1,171)
Currency swaps	-	-	-	-	-	-	-
Total	**269**	**(30,193)**	**4,285,000**	**2,586**	**2,586**	**-**	**(1,171)**

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2023	Positive fair value	Negative fair value	Notional amount Total	Change in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
Held as cash flow hedges:							
Special Commission rate swaps	24,624	(22,574)	3,566,000	(1,066)	(1,066)	-	3,046
Currency swaps	3,594	(1,652)	75,000	-	-	-	-
Total	**28,218**	**(24,226)**	**3,641,000**	**(1,066)**	**(1,066)**	**-**	**3,046**

The amounts relating to items designated as hedged items as follows:

2024	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
Held as cash flow hedges:				
Government Bonds/Sukuk	Investment at FVOCI/AC	(2,586)	(3,907)	-
Total		**(2,586)**	**(3,907)**	**-**

2023	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
Held as cash flow hedges:				
Government Bonds/Sukuk	Investment at FVOCI/AC	(1,066)	(1,322)	654
Total		**(1,066)**	**(1,322)**	**654**

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In the table below, the Bank sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

	Carrying Amount of Hedged Items		Accumulated amount of fair value adjustments on the hedged items	
2024	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate FVOCI debt instruments	5,415,410	-	27,054	-
Fixed rate Held at amortised cost debt instruments	572,108	-	(49,154)	-
Total	**5,987,518**	**-**	**(22,100)**	**-**

	Carrying Amount of Hedged Items		Accumulated amount of fair value adjustments on the hedged items	
2023	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Fixed rate FVOCI debt instruments	7,299,726	-	114,383	-
Fixed rate Held at amortised cost debt instruments	1,354,005	-	(129,888)	-
Total	**8,653,731**	-	**(15,505)**	**-**

The below table sets out the outcome of the Bank's hedging strategy, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		2024			2023		
		Gain / (Losses) attributable to hedged risk			Gain / (Losses) attributable to hedged risk		
Hedged Items	**Hedging Instruments**	**Hedged Items**	**Hedging Instruments**	**Hedge Ineffectiveness**	**Hedged Items**	**Hedging Instruments**	**Hedge Ineffectiveness**
Micro fair value hedge relationship hedging assets							
Fixed rate FVOCI debt instruments	Special commission rate swaps	(87,330)	84,303	(3,026)	261,297	(246,236)	15,061
Fixed rate Held at amortised cost debt instruments	Special commission rate swaps	80,734	(78,007)	2,727	215,797	(218,754)	(2,957)
Total		**(6,596)**	**6,296**	**(299)**	**477,094**	**(464,990)**	**12,104**

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The following table shows the maturity and interest rate risk profiles of the Bank's hedging instruments used in its cash flow hedges. As the Bank applies one-to-one hedging ratios, the below table effectively shows the outcome of the cash flow hedges:

2024	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Micro cash flow hedges						
Commission rate swaps	-	-	-	-	-	-
Notional principal	-	-	-	4,285,000	-	**4,285,000**
Average fixed rate	-	-	-	4.87%	-	-
Micro cash flow hedges						
Currency swaps	-	-	-	-	-	-
Notional principal	-	-	-	-	-	-
Average fixed rate	-	-	-	-	-	-
Average USD/⃁ rate	-	-	-	-	-	-

2023	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Micro cash flow hedges						
Commission rate swaps	-	-	-	-	-	**-**
Notional principal	-	-	-	3,281,000	285,000	**3,566,000**
Average fixed rate	-	-	-	4.86%	4.00%	**-**
Micro cash flow hedges						
Currency swaps	-	-	-	-	-	**-**
Notional principal	-	75,000	-	-	-	**75,000**
Average fixed rate	-	4.76%	-	-	-	**-**
Average USD/⃁ rate	-	3.75	-	-	-	**-**

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12. Due to banks and other financial institutions

	Note	2024	2023*
Current accounts		4,782,449	5,293,646
Money market	41	13,893,022	4,670,081
Repo with banks		19,807,023	6,974,026
Others**		2,514,487	2,741,165
Total		**40,996,981**	**19,678,918**

*Refer note 41
**Others include deposits from SAMA.

13. Customers' deposits

	Note	2024	2023*
Demand		137,066,920	138,953,931
Time	41	125,373,090	111,095,584
Savings		2,987,570	2,092,397
Margin and others		1,583,079	1,315,578
Total		**267,010,659**	**253,457,490**

*Refer note 41

The above deposits include the following deposits in foreign currencies:

	2024	2023
Demand	16,466,325	17,954,605
Time	24,104,473	21,522,300
Savings	23,034	99,816
Margin and others	337,710	187,636
Total	**40,931,542**	**39,764,357**

Customers' deposits include the following deposits under Shariah approved product contracts:

	2024	2023
Demand	83,808,390	85,723,036
Time	78,438,046	60,972,171
Savings	2,263,693	1,876,964
Margin and others	510,653	392,219
Total	**165,020,782**	**148,964,390**

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14. Debt securities in issue

⃁ 5 Billion 10 year Sukuk – 2020

SAB issued ⃁ 5 billion Tier II Sukuk on 22 July 2020 under the Group's local Sukuk Programme (the 'Local Programme'). The Sukuk are unsecured and due in 2030, with SAB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The Sukuk carry effective special commission expense at six months' SAIBOR plus margin of 195 bps payable semi-annually.

15. Other liabilities

	2024	2023
Accounts payable	10,437,261	8,554,339
Provision against loan commitments and financial guarantee contracts (note 20)	1,137,922	1,025,977
End of service benefits (note 28)	784,311	812,150
Lease liabilities	408,285	491,652
Others	2,656,944	3,312,215
Total	**15,424,723**	**14,196,333**

16. Share capital

The authorised, issued and fully paid share capital of SAB consists of 2,054,794,522 shares of ⃁ 10 each (2023: 2,054,794,522 shares of ⃁ 10 each). The ownership of the SAB's share capital is as follows:

	2024	2023
HSBC Holdings B.V	31%	31%
Other shareholders*	69%	69%

*Other shareholders include both Saudi and non-strategic foreign shareholders.

SAB paid a final dividend of ⃁ 1,847 million for the second half of 2023 as approved by the Board of Directors, to the shareholders of the Group for the year 2023. This resulted in ⃁ 0.98 per share for Saudi shareholders, net of Zakat. The income tax of the foreign shareholders was deducted from their share of the dividends.

SAB also paid an interim dividend approved by the Board of Directors for distribution to the shareholders of the Group for the first half of year 2024 of ⃁ 2,091 million (2023: ⃁ 1,993 million). This equates to ⃁ 1.00 per share for Saudi shareholders' net of Zakat (2023: ⃁ 0.88). The income tax of the foreign shareholders was deducted from their share of the dividend.

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17. Statutory reserve

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia, no further transfer of annual net income is required to the statutory reserve as its balance equals the paid up share capital of the Group. The statutory reserve is not currently available for distribution.

18. Other reserves

2024	Cash flow hedges	FVOCI	Treasury shares	Employee share plan reserve	Remeasurement of defined benefit liability	Total
Balance at beginning of the year	**217,335**	**(1,544,750)**	**(135,129)**	**62,944**	**(14,743)**	**(1,414,343)**
Net change in fair value	(249,308)	(1,147,568)	-	-	-	(1,396,876)
Transfer to consolidated statement of income	1,171	60,924	-	-	-	62,095
Net movement defined benefit liability	-	-	-	-	62,470	62,470
Net charge, vested and shares purchased	-	-	(127,502)	(4,612)	-	(132,114)
Balance at end of the year	**(30,802)**	**(2,631,394)**	**(262,631)**	**58,332**	**47,727**	**(2,818,768)**

2023	Cash flow hedges	FVOCI	Treasury shares	Employee share plan reserve	Remeasurement of defined benefit liability	Total
Balance at beginning of the year	**212,830**	**(1,336,658)**	**(179,000)**	**111,756**	**8,724**	**(1,182,348)**
Net change in fair value	149,222	(212,984)	-	-	-	(63,762)
Transfer to consolidated statement of income	(144,717)	4,892	-	-	-	(139,825)
Net movement defined benefit liability	-	-	-	-	(23,467)	(23,467)
Net charge, vested and shares purchased	-	-	43,871	(48,812)	-	(4,941)
Balance at end of the year	**217,335**	**(1,544,750)**	**(135,129)**	**62,944**	**(14,743)**	**(1,414,343)**

19. Additional Tier 1 Sukuk

On 31 October 2023, the Bank issued ⃁ 4 billion Additional Tier 1 Capital Sukuk (SAR-denominated) by way of private placement and on 12 December 2024 issued another ⃁ 4 billion Additional Tier 1 Capital Sukuk, which were approved by the regulatory authorities and Board of Directors of the Bank. These Sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets. The applicable profit rate on the Sukuk is payable on each periodic distribution date, except in the event 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 elections are not considered to be events of default.

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20. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal proceedings against the Group.

b) Capital commitments

As at 31 December 2024, the Group has capital commitments of ⃁ 1,340 million (2023: ⃁ 1,316 million) in respect of land, buildings, equipment and software purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise guarantees letters of credit acceptances and commitments to extend credit. 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 loans and advances. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The cash requirement under these instruments is considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unutilised portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unutilised commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unutilised commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of the commitments could expire or be terminated without being funded. Credit related commitments and contingencies are as follows:

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	17,400,063	1,075,404	29,418	146,289	18,651,174
Letters of guarantee	120,073,318	5,603,214	1,270,719	1,170,729	128,117,980
Acceptances	2,897,037	390,256	-	3,827	3,291,120
Irrevocable commitments to extend credit	19,225,105	1,063,070	-	38,372	20,326,547
Total	**159,595,523**	**8,131,944**	**1,300,137**	**1,359,217**	**170,386,821**

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	14,746,763	874,480	2,893	38,833	15,662,969
Letters of guarantee	88,243,609	7,844,758	1,241,777	1,232,269	98,562,413
Acceptances	3,672,874	194,943	520	830	3,869,167
Irrevocable commitments to extend credit	11,953,358	537,713	-	217,829	12,708,900
Total	**118,616,604**	**9,451,894**	**1,245,190**	**1,489,761**	**130,803,449**

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The un-utilized portion of non-firm commitments, which can be revoked unilaterally at any time by the Group, is ⃁ 141,303 million (2023: ⃁ 128,165 million). The following table further explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the loss allowance for the same portfolio.

Letters of credit

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**14,746,763**	**874,480**	**2,893**	**38,833**	**15,662,969**
Transfer to Stage 1	11,591	(11,591)	-	-	-
Transfer to Stage 2	(297,549)	297,549	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	2,939,258	(85,034)	26,525	107,456	2,988,205
Balance as at 31 December 2024	**17,400,063**	**1,075,404**	**29,418**	**146,289**	**18,651,174**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**15,267,551**	**801,470**	**7,469**	**38,502**	**16,114,992**
Transfer to Stage 1	36,393	(36,393)	-	-	-
Transfer to Stage 2	(363,885)	363,885	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	(193,296)	(254,482)	(4,576)	331	(452,023)
Balance as at 31 December 2023	**14,746,763**	**874,480**	**2,893**	**38,833**	**15,662,969**

Letters of guarantee

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**88,243,609**	**7,844,758**	**1,241,777**	**1,232,269**	**98,562,413**
Transfer to Stage 1	3,236,569	(3,236,569)	-	-	-
Transfer to Stage 2	(1,681,336)	1,681,336	-	-	-
Transfer to Stage 3	(5,275)	(151,515)	156,790	-	-
Net other changes for the year	30,279,751	(534,796)	(127,848)	(61,540)	29,555,567
Balance as at 31 December 2024	**120,073,318**	**5,603,214**	**1,270,719**	**1,170,729**	**128,117,980**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**64,348,335**	**8,231,151**	**1,308,921**	**1,665,909**	**75,554,316**
Transfer to Stage 1	363,670	(363,670)	-	-	-
Transfer to Stage 2	(648,988)	648,988	-	-	-
Transfer to Stage 3	(162)	(92,076)	92,238	-	-
Net other changes for the year	24,180,754	(579,635)	(159,382)	(433,640)	23,008,097
Balance as at 31 December 2023	**88,243,609**	**7,844,758**	**1,241,777**	**1,232,269**	**98,562,413**

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Acceptances

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**3,672,874**	**194,943**	**520**	**830**	**3,869,167**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	(775,837)	195,313	(520)	2,997	(578,047)
Balance as at 31 December 2024	**2,897,037**	**390,256**	**-**	**3,827**	**3,291,120**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**2,844,988**	**304,046**	**-**	**24,572**	**3,173,606**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	827,886	(109,103)	520	(23,742)	695,561
Balance as at 31 December 2023	**3,672,874**	**194,943**	**520**	**830**	**3,869,167**

Irrevocable commitments to extend credit

	Non-credit impaired		Credit impaired		
2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2024	**11,953,358**	**537,713**	**-**	**217,829**	**12,708,900**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	7,271,747	525,357	-	(179,457)	7,617,647
Balance as at 31 December 2024	**19,225,105**	**1,063,070**	**-**	**38,372**	**20,326,547**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**4,953,207**	**147,960**	**-**	**-**	**5,101,167**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net other changes for the year	7,000,151	389,753	-	217,829	7,607,733
Balance as at 31 December 2023	**11,953,358**	**537,713**	**-**	**217,829**	**12,708,900**

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The following table shows reconciliations of the provision for expected credit losses against loan commitments and financial guarantee contracts:

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**121,810**	**249,985**	**606,108**	**48,074**	**1,025,977**
Transfer to Stage 1	66,682	(66,682)	-	-	-
Transfer to Stage 2	(3,494)	3,494	-	-	-
Transfer to Stage 3	(10)	(6,332)	6,342	-	-
Net other changes for the year	(110,567)	128,433	72,657	21,422	111,945
Balance as at 31 December 2024	**74,421**	**308,898**	**685,107**	**69,496**	**1,137,922**

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	**52,215**	**288,017**	**606,250**	**7,255**	**953,737**
Transfer to Stage 1	3,353	(3,353)	-	-	-
Transfer to Stage 2	(1,050)	1,050	-	-	-
Transfer to Stage 3	-	(2,232)	2,232	-	-
Net other changes for the year	67,292	(33,497)	(2,374)	40,819	72,240
Balance as at 31 December 2023	**121,810**	**249,985**	**606,108**	**48,074**	**1,025,977**

d) The analysis of credit related commitments and contingencies by counterparty is as follows:

	2024	2023
Government and quasi government	7,674,306	8,577,898
Corporate	131,718,106	100,830,633
Banks and other financial institutions	29,714,384	20,936,191
Others	1,280,025	458,727
Total	**170,386,821**	**130,803,449**

The following table sets out information about the credit quality of commitments and contingencies. The amounts in the table represent gross carrying amounts.

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	67,004,292	-	-	-	67,004,292
Good	83,674,774	702,561	-	-	84,377,335
Satisfactory	8,916,457	5,074,908	62	-	13,991,427
Special mention	-	2,354,475	79,714	-	2,434,189
Non-performing	-	-	1,220,361	1,359,217	2,579,578
Total	**159,595,523**	**8,131,944**	**1,300,137**	**1,359,217**	**170,386,821**

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2023	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	49,069,467	-	-	-	49,069,467
Good	58,561,947	3,116,074	-	-	61,678,021
Satisfactory	10,985,190	3,640,868	24,829	-	14,650,887
Special mention	-	2,694,952	-	-	2,694,952
Non-performing	-	-	1,220,361	1,489,761	2,710,122
Total	**118,616,604**	**9,451,894**	**1,245,190**	**1,489,761**	**130,803,449**

21. Net special commission income

	Note	2024	2023*
Special commission income			
Loans and advances		15,893,097	12,838,133
Due from banks and other financial institutions		552,530	536,102
Investments:			
FVOCI		2,267,685	2,060,475
Held at amortised cost		1,788,104	1,653,731
		4,055,789	**3,714,206**
Total		**20,501,416**	**17,088,441**
Special commission expense			
Customers' deposits	41	(7,937,014)	(5,732,281)
Due to banks and other financial institutions	41	(1,122,469)	(608,358)
Debt securities in issue		(402,538)	(387,029)
Others		(15,895)	(19,304)
Total		**(9,477,916)**	**(6,746,972)**
Net special commission income		**11,023,500**	**10,341,469**

*Refer note 41

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Special commission income and Special commission expenses from Shariah-compliant products are as follows:

	2024	2023
Special commission income		
Loans and advances		
Tawarruq	9,928,241	8,058,294
Ijarah	1,420,296	1,114,054
Murabaha	947,510	634,575
Total	**12,296,047**	**9,806,923**
Investments:		
Held at amortised cost / Sukuk	1,621,167	1,504,319
FVOCI / Sukuk	1,602,985	1,144,652
Total	**3,224,152**	**2,648,971**
Due from Banks and other financial institutions - Tawarruq	**39,618**	**7,019**
Special commission expense		
Customers' deposits		
Murabaha	(4,147,403)	(2,739,970)
Tawarruq	(553,635)	(283,178)
Mudarbah	(31,627)	(47,219)
Total	**(4,732,665)**	**(3,070,367)**
Debt securities in issue – Murabaha	**(402,538)**	**(390,479)**
Due to Banks and other financial institutions - Tawarruq	**(36,922)**	**-**
Special commission income, net	**10,387,692**	**9,002,067**

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22. Net fee and commission income

	2024	2023
Fee and commission income:		
Card products	1,899,938	1,463,971
Trade finance	889,637	789,407
Corporate finance and advisory	328,802	258,179
Fund management fees	329,808	241,115
Other banking services	548,828	502,731
Total fee and commission income	**3,997,013**	**3,255,403**
Fee and commission expense:		
Card products	(2,244,884)	(1,849,538)
Corporate finance and advisory	(53,359)	(53,199)
Fund management fees	(57,836)	(27,394)
Custodial services	(1,555)	(3,711)
Other banking services	(189,817)	(177,023)
Total fee and commission expense	**(2,547,451)**	**(2,110,865)**
Net fees and commission income	**1,449,562**	**1,144,538**

23. Gain from FVSI financial instruments, net

	2024	2023
Derivatives	308,160	140,820
Foreign exchange income, net	184,952	126,804
Debt securities	11,126	35,431
Others	50,691	42,543
Total	**554,929**	**345,598**

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24. Salaries and employee related expenses

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

2024	Number of employees*	Fixed compensation	Variable compensation		Total
			Cash	Shares	
Senior executives requiring SAMA no objection	24	(44,077)	(28,983)	(21,300)	(50,283)
Employees engaged in risk taking activities	1,042	(544,343)	(180,146)	(27,205)	(207,351)
Employees engaged in control functions	429	(123,504)	(20,697)	(23)	(20,720)
Other employees	2,975	(602,187)	(146,283)	(774)	(147,057)
Outsourced employees	995	(95,318)	(47,932)	-	(47,932)
Total	**5,465**	**(1,409,429)**	**(424,041)**	**(49,302)**	**(473,343)**
Variable compensation accrued in 2024		(523,941)			
Other employee related benefits **		(338,506)			
Total salaries and employee related expenses		**(2,271,876)**			

2023	Number of employees*	Fixed compensation	Variable compensation		Total
			Cash	Shares	
Senior executives requiring SAMA no objection	22	(42,259)	(18,724)	(29,220)	(47,944)
Employees engaged in risk taking activities	918	(453,194)	(123,689)	(36,011)	(159,700)
Employees engaged in control functions	356	(102,172)	(14,796)	(40)	(14,836)
Other employees	2,899	(613,177)	(106,564)	(153)	(106,717)
Outsourced employees	910	(78,457)	(35,031)	-	(35,031)
Total	**5,105**	**(1,289,259)**	**(298,804)**	**(65,424)**	**(364,228)**
Variable compensation accrued in 2023		(401,750)			
Other employee related benefits **		(396,790)			
Total salaries and employee related expenses		**(2,087,799)**			

* Represents all employees who worked for the Group and were compensated during the year 2024 or 2023, whether they are still active or no longer employed by the Group.

** Other employee related benefits include insurance premium paid, General Organization for Social Insurance contribution (GOSI), recruitment expenses and certain other non-recurring employee related costs.

Senior executives (requiring SAMA no objection):

This comprises senior management having responsibility and authority for formulating strategies, directing and controlling the activities of the Group whose appointment requires no objection from SAMA. This covers the CEO & Managing Director and other executives directly reporting to him and other roles.

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Employees engaged in risk taking activities:

This comprises of management staff within the business lines (Corporate and Institutional Banking, Treasury and Wealth and Personal Banking employees), who are responsible for executing and implementing the business strategy on behalf of the Group. This also includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals and treasury dealing activities as well as other executives whom, are not under the senior executives (requiring SAMA no objection).

Employees engaged in control functions:

This refers to employees working in divisions that are not involved in risk taking activities but engaged in review functions (Risk Management, Compliance, Internal Audit and Legal). These functions are fully independent from risk taking units.

Other employees:

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

Outsourced employees:

This includes staff employed by various agencies who supply services to the Group on a full-time basis in non-critical roles. None of these roles require risk undertaking or control.

Compensation disclosure for the annual consolidated financial statements:

SAMA being the Banking industry regulator for the Kingdom of Saudi Arabia has issued its Banks Remuneration Rules. In compliance with the SAMA's Banks Remuneration Rules, a compensation policy endorsed by Nomination and Remuneration Committee and approved by the Board of Directors has been formulated and implemented.

SAB compensation policy

i. Policy objectives

The policy sets the guidelines as to how both fixed and variable pay will be managed at SAB. The scope of policy covers the following: all categories of employees; all compensation elements; key determinants of compensation; approval process (covered in the HR Delegation of Authority); reporting processes; bonus deferral process; share retention and relevant stakeholder's roles and responsibilities. The objectives of the policy are: fair and transparent elements of the policy are applied consistently; reflects a total compensation approach (fixed pay + variable pay + benefits); provides equal opportunity; is market competitive; supports pay for performance parity, is applied in the context of relevant risk controls and compliance considerations in the application of compensation decisions; meets regulatory requirements; centered on effective risk management and achieving financial soundness and stability of the bank.

ii. Compensation structure

SAB's compensation operates on a Total Package basis that is benchmarked to market data from peers in the appropriate industry. Total Package comprises of the following blend of fixed and variable compensation elements: salaries, allowances; benefits; annual bonuses; short-term incentives; and long-term incentives.

iii. Performance management system

The performance of all employees is evaluated against agreed targets using a Performance Scorecard methodology, financial, customer, process, and people. A calibration process is applied to ensure fair and equitable performance evaluation. The performance management methodology at SAB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance within a risk compliant manner.

iv. Risk-adjustment for variable pay schemes

The Group has reviewed all its variable pay schemes, with the assistance of external remuneration consultants, 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.

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v. Bonus deferral
Bonus deferral in the form of equity applies to all employees who are either subject to SAMA 'No Objection' and /or undertake or control material risk undertaking by the Group, also, a quantitative deferral trigger upon meeting a quantitative threshold per policy. Bonuses of all these employees will be subject to deferral over a 3 year vesting period. The vesting will be subject to clawback and malus conditions.

vi. Nomination and Remuneration Committee
The Nomination and Remuneration Committee has oversight of the remuneration structures and policies for all employees to ensure that: all performance based bonuses are adjusted for risk, compensation structures are regulatory compliant, and effective in achieving its stated objectives.

a) Share based bonus payments
The Group has Share Based Equity settled Bonus payment plans outstanding at the end of the year. Under the terms of these plans, SAB's eligible employees are offered shares at a predetermined price. At the vesting dates determined under the terms of the plan, SAB delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares (the vesting date). The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Group has currently three Share Based Equity Plan, under which the grant for the Bonus Deferral Program was made at various dates during 2022, 2023 and 2024 with a maturity period of three years from the respective grant dates and shares vesting is 33%, 33% and 34% for the first, second and third year, respectively. As for the Long Term Plan with a maturity of four years of the respective grant date and shares vesting is 30%, 20% and 40%, with remaining as cash rewards, lastly, the Retention Scheme with a maturity of three years with a cliff vesting. As per the settlement method, the ownership of these shares will pass to the employees at the respective vesting dates, subject to satisfactory completion of the vesting conditions.

The movement in the number of shares under Share Based Equity settled plans is as follows:

Number of shares	2024	2023
Beginning of the year	**2,677,932**	**4,232,334**
Forfeited	(75,009)	(596,159)
Exercised / Expired	(1,452,637)	(1,607,790)
Granted during the year	2,661,598	649,547
End of the year	**3,811,884**	**2,677,932**

The weighted average price of shares granted during the year was ⃁ 34.61 (2023: ⃁ 40.99). Total treasury shares held by the Group as at 31 December 2024 were 6,821,076 shares (2023: 3,573,713 shares).

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25. Basic and diluted earnings per share
Basic and diluted earnings per share for the years ended 31 December 2024 and 31 December 2023 are calculated by dividing the net income after Zakat and income tax (adjusted by profit paid on additional Tier 1 Sukuk), by the weighted average number of shares 2,054,794,522 (December 2023: 2,054,794,522) outstanding during the years.

	2024	2023
Net income after Zakat and income tax	8,070,461	7,002,373
Profit paid on additional Tier 1 Sukuk	(304,617)	-
Net income after Zakat and income tax (adjusted by profit paid on additional Tier 1 Sukuk)	**7,765,844**	**7,002,373**
Weighted average number of ordinary shares*	2,054,794,522	2,054,794,522
Basic and diluted earnings per share	**3.78**	**3.41**

* The impact of treasury shares is immaterial

26. Zakat and income tax
The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. In addition, SAB is subject to pay corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

SAB has filed its Zakat and income tax return up to 2023. Income tax assessments from 2015 to 2018 have not been received by the Bank. Zakat and Income tax for 2019 up to 2022 are closed and settled. The assessment of 2023 is still with ZATCA review.

The below table represents the movements in the current Zakat and income tax liability:

	2024	2023
Opening Zakat and income tax liability	**977,116**	**1,028,636**
Charge for the year:		
Provision for Zakat	665,804	592,745
Provision for income tax	533,057	488,125
Charged for the current year	1,198,861	1,080,870
Prior year charge:		
Provision for Zakat	-	109,170
Provision for income tax	-	296
Charged for the prior year	-	109,466
Total charged	**1,198,861**	**1,190,336**
Payment of Zakat and income tax liability	(1,155,222)	(1,241,856)
Closing Zakat and income tax liability	**1,020,755**	**977,116**

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Deferred 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 taxation purposes. The following table shows the movement in deferred tax:

	2024	2023
Opening deferred tax asset	**264,131**	**294,564**
Provision for deferred tax	(96,760)	(30,433)
Closing deferred tax asset	**167,371**	**264,131**

The deferred tax included in these financial statements comprise of the following:

	2024	2023
Property, equipment, ROU, goodwill and other intangibles	54,720	149,890
Other liabilities	50,168	49,249
Provision for expected credit losses	62,483	64,992
Total	**167,371**	**264,131**

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

	2024	2023
Cash and balances with SAMA excluding the statutory deposit (note 3)	2,198,536	2,994,294
Due from banks and other financial institutions with an original maturity of three months or less from date of the acquisition	3,293,161	7,204,390
Total	**5,491,697**	**10,198,684**

28. Employee 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 the projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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b) Reconciliation of defined benefit obligation as 31 December

	2024	2023
Defined benefit obligation at the beginning of the year	**812,150**	**748,494**
Charge for the year:		
Current service cost	77,574	72,114
Interest cost	36,454	30,112
Past service cost	(9,005)	-
Benefits paid	(70,493)	(62,037)
Transferred in	101	-
Re-measurement of defined benefit liability:		
Financial assumptions	(95,325)	1,438
Demographic adjustments	3,747	1,082
Experience adjustments	29,108	20,947
Defined benefit obligation at the end of the year	**784,311**	**812,150**

c) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2024	2023
Discount rate	5.45%	4.70%
Expected rate of salary increase	4.25%	4.70%
Normal retirement age	65 Years	60 Years

d) Sensitivity of actuarial assumptions
The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December to the discount rate and salary increase rate.

	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario 2024	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(104,893)	69,003
Expected rate of salary increase	1%	71,220	(62,857)

	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario 2023	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(60,509)	69,274
Expected rate of salary increase	1%	70,558	(62,994)

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

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e) Expected maturity

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

2024	Less than a year	1-2 years	2-5 years	Over 5 years	Total
	71,968	69,149	194,607	995,673	**1,331,397**
2023	**Less than a year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	78,465	66,625	197,310	903,188	**1,245,588**

The weighted average duration of the defined benefit obligation is 8 years (2023: 8 years).

f) Defined contribution plan

The Group makes contributions for a defined contribution retirement benefit plan to the GOSI in respect of its staff. The total amount expensed during the year in respect of this plan was ⃁ 99 million (2023: ⃁ 88 million).

29. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance. The Group's reportable segments are as follows:

> **Wealth & Personal Banking** – Wealth and Personal Banking offers a variety of wealth and consumer lending products. Having a mix of domestic and international customers, WPB aims to be the Bank of choice for wealth and internationally-minded customers.

> **Corporate and Institutional Banking** – The Corporate and Institutional Banking provides tailored solutions to a wide range of customer segments including Global Corporates and Institutional Banking, Multinational Corporates, Large and Commercial Banking Corporates, and Small and Medium Enterprises. CIB offers a wide range of products that includes core banking, liquidity management, trade-finance and treasury services.

> **Treasury** – The Treasury business provides Corporate, Institutional, Wealth and Private banking clients with access to treasury and capital markets products across multiple asset classes, including foreign exchange, interest rate, and commodities hedging solutions. In addition, Treasury manages the liquidity and market risk of the Bank, including deployment of its commercial surplus through its investment portfolio.

> **Capital Markets** – The Capital Markets segment brings together the margin lending, brokerage, and asset management business and are managed by our wholly-owned subsidiary SAB Invest.

> **Others** – Includes activities of the Group's investment in its associate, HSBC Saudi Arabia and equity investments. It also includes elimination of inter-group income and expense items.

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Transactions between the operating segments are reported as recorded by the Group's transfer pricing policy. The Group's total assets and liabilities as at 31 December 2024 and 2023, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

2024	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	**73,972,695**	**197,516,592**	**123,932,472**	**2,750,569**	**1,270,481**	**399,442,809**
Loans and advances, net	64,325,916	193,317,924	-	1,701,676	-	259,345,516
Investments, net	-	-	97,222,242	580,575	609,407	98,412,224
Investment in an associate	-	-	-	-	463,350	463,350
Total liabilities	**90,963,009**	**159,836,636**	**80,122,773**	**186,890**	**47,318**	**331,156,626**
Operating income / (loss) from external customers	2,226,800	9,342,582	2,003,356	446,306	(1,372)	14,017,672
Inter-segment operating income / (expense)	1,887,185	(1,808,426)	(78,759)	-	-	-
Total operating income / (loss), of which:	**4,113,985**	**7,534,156**	**1,924,597**	**446,306**	**(1,372)**	**14,017,672**
Net special commission income	3,513,087	6,292,474	1,077,393	140,546	-	11,023,500
Net fees and commission income / (expenses)	208,616	950,695	(4,406)	294,657	-	1,449,562
(Provision for expected credit losses) / reversal, net	**(198,735)**	**(367,758)**	**1,064**	**(634)**	**-**	**(566,063)**
Total operating expenses	**(1,865,017)**	**(1,719,728)**	**(434,281)**	**(257,674)**	**(14,196)**	**(4,290,896)**
Share in earnings of an associate	-	-	-	-	205,369	205,369
Net income for the period before Zakat and income tax	**2,050,233**	**5,446,670**	**1,491,380**	**187,998**	**189,801**	**9,366,082**

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2023	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	**61,934,769**	**165,446,807**	**124,613,981**	**2,185,929**	**2,460,150**	**356,641,636**
Loans and advances, net	53,013,292	161,723,208	-	1,199,345	-	215,935,845
Investments, net	-	-	95,756,549	386,435	423,852	96,566,836
Investment in an associate	-	-	-	-	462,046	462,046
Total liabilities	**82,222,616**	**152,853,673**	**59,441,350**	**171,439**	**52,995**	**294,742,073**
Operating income / (loss) from external customers	1,878,386	8,417,825	2,088,289	337,515	(11,555)	12,710,460
Inter-segment operating income / (expense)	1,575,447	(1,548,150)	(27,297)	-	-	-
Total operating income / (loss), of which:	**3,453,833**	**6,869,675**	**2,060,992**	**337,515**	**(11,555)**	**12,710,460**
Net special commission income	3,060,389	5,792,332	1,374,810	113,938	-	10,341,469
Net fees and commission income / (expenses)	134,627	802,646	(27)	207,292	-	1,144,538
Provision for expected credit losses, net	**(77,806)**	**(480,836)**	**(3,584)**	**(216)**	**-**	**(562,442)**
Total operating expenses	**(1,868,207)**	**(1,581,273)**	**(397,072)**	**(227,644)**	**(38,894)**	**(4,113,090)**
Share in earnings of an associate	-	-	-	-	188,214	188,214
Net income for the year before Zakat and income tax from continuing operations	**1,507,820**	**4,807,566**	**1,660,336**	**109,655**	**137,765**	**8,223,142**

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

2024	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Total
Assets	64,325,916	193,317,924	63,241,549	2,087,254	322,972,643
Commitments and contingencies	311,681	90,518,909	8,601	-	90,839,191
Derivatives	-	-	34,720,963	-	34,720,963
Total	**64,637,597**	**283,836,833**	**97,971,113**	**2,087,254**	**448,532,797**

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2023	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Total
Assets	53,013,292	161,723,208	69,244,979	1,693,701	285,675,180
Commitments and contingencies	7,973	70,672,306	-	-	70,680,279
Derivatives	-	-	62,294,652	-	62,294,652
Total	**53,021,265**	**232,395,514**	**131,539,631**	**1,693,701**	**418,650,111**

Credit exposure comprises the carrying value of assets excluding cash, property and equipment, other assets, investment in associates and equity investments. Commitments, contingencies and derivatives are presented based on the credit conversion factor as prescribed by SAMA.

30. Financial risk management

i) Credit risk

The Group follows SAMA Rules on Credit Risk Management whereby the Board of Directors has ultimate responsibility for the effective management of risk and approves the risk appetite. The Board has constituted a Board Risk Committee (BRC) for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making.

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing activities, but also from other products such as guarantees and derivatives.

The Group continues to assess the impact of economic developments on specific customers, customer segments or portfolios. As credit conditions change, the Group takes mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, the Group continues to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Credit approval authorities are delegated by the Board to the Managing Director together with the authority to sub-delegate them. The Credit Risk function is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the Group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

Concentrations of credit risk arise when a number of counterparties have comparable economic characteristics, or such counterparties are engaged in similar business activities, or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political, or other conditions. The Group uses a number of controls and measures to minimize undue concentration of exposure in the portfolios. These include portfolio and counterparty limits, approval and review controls, and stress testing.

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a) Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and off balance sheet exposures:

	Notes	2024	2023
Net provision for expected credit losses:			
Due from banks and other financial institutions	4 (d)	(69)	1,128
Investments	5 (d)	1,133	(4,712)
Loans and advances	6 (c)	(575,962)	(931,618)
Loan commitments and financial guarantee contracts	20 (c)	(111,945)	(72,240)
Write-offs net, recoveries of debts previously written-off*		120,780	445,000
Net charge for the year		**(566,063)**	**(562,442)**

* Write-offs net, recoveries of debts previously written-off include purchase price allocation release from POCI accounts of ⃁ 248 million (2023: ⃁ 486 million).

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b) Geographical concentration of financial assets, liabilities, commitments and contingencies, and the maximum exposure to credit risk.

2024	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other countries	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,794,960	-	-	-	-	1,794,960
Balances with SAMA	15,477,156	-	-	-	-	15,477,156
Other balances	90,576	-	-	-	-	90,576
Due from banks and other financial institutions, net:						
Current accounts	1,839,674	107,450	182,984	1,022,950	139,293	3,292,351
Money market placements	137,421	-	-	-	-	137,421
Positive fair value derivatives, net:						
Held for trading	304,678	5,028	2,258,571	-	-	2,568,277
Held as fair value hedges	-	-	62,662	-	-	62,662
Held as cash flow hedges	-	-	269	-	-	269
Investments, net:						
FVOCI	44,381,667	1,698,483	-	6,089,994	-	52,170,144
FVSI	960,806	9,807	-	-	-	970,613
Amortised cost	44,629,623	-	-	-	-	44,629,623
Loans and advances, net:						
Credit cards	3,396,831	-	-	-	-	3,396,831
Other retail lending	62,630,761	-	-	-	-	62,630,761
Corporate and institutional lending	184,171,960	2,809,852	2,552,050	-	3,784,062	193,317,924
Other assets	3,050,018	-	-	-	-	3,050,018
Total	**362,866,131**	**4,630,620**	**5,056,536**	**7,112,944**	**3,923,355**	**383,589,586**
Liabilities						
Due to banks and other financial institutions						
Current accounts	3,335,555	304,321	475,466	382,517	284,590	4,782,449
Money market deposits	8,539,757	3,307,355	1,649,579	396,331	-	13,893,022
Repo with banks	15,298,918	-	4,508,105	-	-	19,807,023
Others	2,514,487	-	-	-	-	2,514,487
Customer deposits:						
Demand	136,566,021	41,269	335,401	730	123,499	137,066,920
Time	124,998,595	-	-	355,367	19,128	125,373,090
Saving	2,955,495	-	15,785	-	16,290	2,987,570
Margin and other deposits	1,572,431	323	182	143	10,000	1,583,079
Debt securities in issue	5,178,059	-	-	-	-	5,178,059
Negative fair value derivatives, net:						
Held for trading	778,512	3,749	1,682,557	-	-	2,464,818
Held as fair value hedges	-	-	51,194	-	-	51,194
Held as cash flow hedges	-	-	30,192	-	-	30,192
Other liabilities	15,424,723	-	-	-	-	15,424,723
Total	**317,162,553**	**3,657,017**	**8,748,461**	**1,135,088**	**453,507**	**331,156,626**
Commitments and contingencies	**141,648,137**	**4,382,091**	**8,474,177**	**1,925,105**	**13,957,311**	**170,386,821**
Maximum credit exposure (stated at credit equivalent amounts)						
Assets	357,716,475	4,625,592	2,735,034	7,112,944	3,923,355	376,113,400
Commitments and contingencies	74,804,897	2,481,213	4,683,317	1,058,808	7,810,956	90,839,191
Derivatives	33,514,672	9,328	1,174,720	22,243	-	34,720,963
Total credit exposure	**466,036,044**	**7,116,133**	**8,593,071**	**8,193,995**	**11,734,311**	**501,673,554**

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2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other countries	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	13,802,941	-	-	-	-	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	1,225,397	28,919	1,111,329	3,859,965	154,930	6,380,540
Money market placements	1,026,941	-	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	261,620	12,683	1,851,305	-	6	2,125,614
Held as fair value hedges	-	-	214,550	-	-	214,550
Held as cash flow hedges	-	-	28,218	-	-	28,218
Investments, net:						
FVOCI	40,892,704	4,736,387	-	2,130,358	-	47,759,449
FVSI	985,189	-	-	-	-	985,189
Amortised cost	47,366,473	-	-	-	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	51,291,643	-	-	-	-	51,291,643
Corporate and institutional lending	155,894,865	5,107,423	-	-	720,920	161,723,208
Other assets	2,758,518	-	-	-	-	2,758,518
Total	**321,365,579**	**9,885,412**	**3,205,402**	**5,990,323**	**875,856**	**341,322,572**
Liabilities						
Due to banks and other financial institutions						
Current accounts	1,494,066	369,403	927,808	435,218	2,067,151	5,293,646
Money market deposits	3,116,468	1,478,601	-	-	75,012	4,670,081
Repo with banks	4,392,438	-	2,581,588	-	-	6,974,026
Others	2,741,165	-	-	-	-	2,741,165
Customer deposits:						
Demand	138,329,610	30,965	423,017	46,587	123,752	138,953,931
Time	110,642,192	-	-	437,027	16,365	111,095,584
Saving	2,068,837	-	13,827	-	9,733	2,092,397
Margin and other deposits	1,305,030	323	182	43	10,000	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	553,369	8,022	1,423,096	52	-	1,984,539
Held as fair value hedges	-	-	222,588	117	-	222,705
Held as cash flow hedges	-	-	24,202	24	-	24,226
Other liabilities	14,196,333	-	-	-	-	14,196,333
Total	**284,017,370**	**1,887,314**	**5,616,308**	**919,068**	**2,302,013**	**294,742,073**
Commitments and contingencies	**111,291,810**	**3,382,527**	**5,796,720**	**1,564,821**	**8,767,571**	**130,803,449**
Maximum credit exposure (stated at credit equivalent amounts)						
Assets	316,569,587	9,872,729	1,111,329	5,990,323	875,850	334,419,818
Commitments and contingencies	59,948,878	1,860,390	3,188,196	860,651	4,822,163	70,680,278
Derivatives	61,459,136	31,766	778,310	25,440	-	62,294,652
Total credit exposure	**437,977,601**	**11,764,885**	**5,077,835**	**6,876,414**	**5,698,013**	**467,394,748**

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

2024	Kingdom of Saudi Arabia	GCC and Middle East	Europe	Other countries	Total
Non-performing loans and advances	3,613,151	-	-	-	**3,613,151**
Provision for expected credit losses	6,206,911	39,173	5,907	6,610	**6,258,601**

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	Other countries	Total
Non-performing loans and advances	3,723,383	151,859	-	-	**3,875,242**
Provision for expected credit losses	6,120,839	6,769	-	763	**6,128,371**

ii) Credit quality analysis

Expected credit losses (ECL) are recognized for loans and advances to banks and customers, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI) and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forborne and classified as either performing or non-performing when the Group modifies the contractual terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they met the cure criteria. Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable cure criteria. At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Definition of (default)

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

- A quantitative objective based indicator where the obligor's contractual repayments are past due in excess-over-limits or has overdrawn advised agreed limits for more than 90 days on any material credit obligation to the Group.
- A qualitative criterion by which the Group considers that the obligor is 'unlikely-to-pay' its obligations to the Group in full without recourse by the Group to action such as realizing securities (if any).

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Some of the primary indicators for qualitative criteria to objectively define 'Unlikeliness to Pay' (UTP) events' could be the following:

- Distressed debt restructuring resulting in diminished financial obligation
- Significant and/or persistent deteriorations in financial performance, financial ratios, covenants waivers/easing, cash flow and liquidity concerns and future outlook of the obligor
- Imminent probability of facility foreclosure and/or repossession of collaterals / securities due to insolvency or other financial difficulties indicating Bank's inability to recover the exposure.

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

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

Loan modifications other than forborne loans

Loan modifications that are not identified as forborne are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalized through an amendment to the existing terms or the issuance of a new loan contract) such that the Group rights to the cash flows under the original contract have expired, the old loan is derecognized and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

Measurement of ECL

During 2024 the Bank has completed the redevelopment of its IFRS 9 wholesale and retail models in accordance with SAMA's triennial model redevelopment requirement and IFRS 9 compliance standards. The primary objective of this initiative was to enhance the models' accuracy and alignment with regulatory requirements. A change introduced was the segmentation of the small and medium enterprises (SME) portfolio as a standalone category, which was previously incorporated within the Corporate model. The financial impact of this redevelopment is detailed in the financial impact section.

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Group calculates ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes the time value of money.

The ECL for wholesale stage 3 is determined on an individual basis using a discounted cash flow (DCF) methodology. The expected future cash flows are based on the credit risk officer's estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

The cash flows are discounted at a reasonable approximation of the effective interest rate by using the contractual interest rate.

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Forward-looking economic inputs

The Group applies multiple forward-looking economic scenarios determined with reference to external forecast distributions representative of their view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

The economic scenarios used for the redeveloped models as at 31 December 2024 included the following ranges of key indicators.

Economic indicators	2024
Government expenditure (as a % of GDP)	Upside: 34.5 Base: 34.7 Mild Downside: 35.0 Moderate Downside: 35.2 Severe Downside: 35.3
Gross government debt (as a % of GDP)	Upside: 24.0 Base: 24.3 Mild Downside: 24.9 Moderate Downside: 25.1 Severe Downside: 25.3
Oil Price – Arabian Light (US$ per barrel)	Upside: 81.9 Base: 81.3 Mild Downside: 80.0 Moderate Downside: 79.4 Severe Downside: 79.0
Unemployment Rate (%)	Upside: 5.0 Base: 5.0 Mild Downside: 5.0 Moderate Downside: 5.0 Severe Downside: 5.0
Tax revenue, expenditure (⃁ in million)	Upside: 281,109 Base: 279,302 Mild Downside: 276,676 Moderate Downside: 275,276 Severe Downside: 273,758
Government Non-oil Revenue (⃁ in million)	Upside: 522,186 Base: 518,356 Mild Downside: 512,744 Moderate Downside: 509,743 Severe Downside: 506,542
Money Supply (⃁ in million)	Upside: 2,905,409 Base: 2,901,028 Mild Downside: 2,893,392 Moderate Downside: 2,890,283 Severe Downside: 2,884,945

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The economic scenarios used for the old models as at 31 December 2023 included the following ranges of key indicators.

Economic indicators	2023
Government revenue, oil (⃁ in million)	Upside: 692,742 Base: 663,833 Downside: 627,580
Oil Price – Arabian Light (US$ per barrel)	Upside: 87.9 Base: 84.3 Downside: 79.6
GDP, Non-oil, LCU (⃁ in million)	Upside: 2,551,903 Base: 2,498,757 Downside: 2,426,130
Unemployment Rate (%)	Upside: 5.55 Base: 5.56 Downside: 5.57

The Group has used the below base case forecast in its ECL model, which is based on information available at the time of the ECL calculation:

	Forecast calendar years used in 2024 ECL model			Forecast calendar years used in 2023 ECL model		
	2025	2026	2027	2024	2025	2026
Government expenditure (as % of GDP)	31.8	30.6	31.3	-	-	-
Gross government debt (as a % of GDP)	23.3	21.3	18.8	-	-	-
Oil Price – Arabian Light (US$ per barrel)	74.8	74.8	76.1	85.2	81.6	81.3
Unemployment Rate (%)	5.0	4.9	4.8	5.5	5.5	5.4
Tax revenue, expenditure (⃁ in million)	307,730	331,674	352,066	-	-	-
Government Non-oil Revenue (⃁ in million)	489,891	466,240	574,698	2,666,705	2,842,013	3,032,994
Money Supply (⃁ in million)	3,073,272	3,155,800	3,322,802	713,571	717,925	732,039

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Sensitivity of ECL allowance:
The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end, noting that the macroeconomic factors present dynamic relationships between them.

Assumptions sensitized	PL Impact 2024 ⃁'000
Macro-economic factors(Base scenario 2025):	
Government expenditure (as % of GDP) reduction by 7%	
Oil Price – Arabian Light (US$ per barrel) increase by 3.6%	
Gross government debt (as a % of GDP) increase by 0.5%	
Unemployment Rate (%) increase by 11%	(41,053)
Tax revenue, expenditure (⃁ in million) reduce by 6%	
Government Non-oil Revenue (⃁ in million) reduce by 20.5%	
Money Supply (⃁ in million) reduce by 7.5%	
Scenario weightages:	
Down/Upturn scenario sensitized by +/- 10%	22,310

31. Market risk
Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either trading and non-trading or banking-book. Market Risk exposures in the trading book result from instruments classified as held for trading as disclosed in these consolidated financial statements. Market Risk exposures in the non-trading or banking-book arise on special commission rate risk and equity price risk as disclosed in part b) of this disclosure.

The market risk for both the trading book and the non-trading book is managed and monitored using a combination of VAR, stress testing and sensitivity analysis.

a) Market risk-trading book
The Board has set limits for the acceptable level of risks in managing the trading book. The Group applies a VAR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for change in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses simulation models to assess the possible changes in the market value of the trading book based on historical data.

VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VAR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for 1 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

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market conditions.

In addition to VAR, the Group also carries out stress testing of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Risk Management Committee (RMC) for their review.

The Group's VAR related information is as follows

2024	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2024	1,767	8,302	8,808
Average VAR for 2024	2,328	10,779	11,078
Minimum VAR for 2024	1,127	6,815	7,955
Maximum VAR for 2024	3,719	19,208	20,102

2023	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2023	2,955	8,481	9,252
Average VAR for 2023	4,293	5,542	6,736
Minimum VAR for 2023	450	2,818	3,240
Maximum VAR for 2023	9,142	12,907	14,069

b) Market risk - non-trading or banking-book

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

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established commission rate gap limits for stipulated periods. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in commission rates, with other variables held constant, on the Group's consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in commission rates on the net special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities repricing as at 31 December 2024 including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate FVOCI assets including the effect of any associated hedges as at 31 December 2024 for the effect of assumed changes in commission rates.

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The sensitivity of equity is analysed by maturity period of the asset or swap and represents only those exposures that directly impact OCI of the Group.

2024			Sensitivity of Equity				
	Increase in basis points	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
⃁	+100	206,782	(5,058)	(13,832)	(667,755)	(1,140,096)	**(1,826,741)**
USD	+100	36,356	(2,360)	(5,777)	(192,803)	(644,216)	**(845,156)**
EUR	+100	(395)	-	-	-	-	-
Others	+100	(314)	-	-	-	-	-

2024			Sensitivity of Equity				
	Increase in basis points	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
⃁	-100	(206,782)	5,058	13,832	667,755	1,140,096	**1,826,741**
USD	-100	(36,356)	2,360	5,777	192,803	644,216	**845,156**
EUR	-100	395	-	-	-	-	-
Others	-100	314	-	-	-	-	-

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2024

	Increase in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	1 year or less	1-5 years	Over 5 years	Total
⃁	+100	298,680	(9,039)	(9,665)	(403,132)	(1,299,058)	**(1,720,894)**
USD	+100	52,513	(1,731)	(5,601)	(187,139)	(671,630)	**(866,101)**
EUR	+100	(571)	(37)	-	-	-	**(37)**
Others	+100	(454)	-	-	-	-	**-**

2023

	Increase in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	1 year or less	1-5 years	Over 5 years	Total
⃁	-100	(298,680)	9,039	9,665	403,132	1,299,058	**1,720,894**
USD	-100	(52,513)	1,731	5,601	187,139	671,630	**866,101**
EUR	-100	571	37	-	-	-	**37**
Others	-100	454	-	-	-	-	**-**

The Group is exposed to risks associated with fluctuations in the levels of market special commission rates. The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or the maturity dates. The Group is exposed to special commission rate risks as a result of mismatches or gaps in the amounts of assets and liabilities and derivative financial instruments that reprice or mature in a given period.

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The Group manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,794,960	1,794,960
Balances with SAMA	313,000	-	-	-	15,164,156	15,477,156
Other balances	-	-	-	-	90,576	90,576
Due from banks and other financial institutions, net:						
Current accounts	1,448,025	-	-	-	1,844,326	3,292,351
Money market placements	137,421	-	-	-	-	137,421
Positive fair value derivatives, net:						
Held for trading	1,591,383	520,460	392,845	63,589	-	2,568,277
Held as fair value hedges	58,526	4,136	-	-	-	62,662
Held as cash flow hedges	269	-	-	-	-	269
Investments, net:						
FVOCI	931,686	698,226	14,471,788	35,589,008	1,088,842	52,779,550
FVSI	4,665	1,799	65,625	357,754	573,208	1,003,051
Amortised cost	3,596,430	15,594,553	13,063,031	12,375,609	-	44,629,623
Loans and advances, net:						
Credit cards	3,396,831	-	-	-	-	3,396,831
Other retail lending	14,042,779	2,038,888	21,287,288	25,261,806	-	62,630,761
Corporate and institutional lending	164,360,051	26,659,295	2,063,401	235,177	-	193,317,924
Other assets	-	-	-	-	3,050,018	3,050,018
Total assets	**189,881,066**	**45,517,357**	**51,343,978**	**73,882,943**	**23,606,086**	**384,231,430**
Liabilities						
Due to banks and other financial institutions:						
Current accounts	412,404	-	-	-	4,370,045	4,782,449
Money market deposits	9,983,686	3,909,336	-	-	-	13,893,022
Repo with banks	15,148,699	-	4,658,324	-	-	19,807,023
Others	1,812,577	701,910	-	-	-	2,514,487
Customer deposits:						
Demand	-	-	-	-	137,066,920	137,066,920
Time	112,558,178	12,480,412	334,500	-	-	125,373,090
Saving	2,987,570	-	-	-	-	2,987,570
Margin and other deposits	-	-	-	-	1,583,079	1,583,079
Debt securities in issue	5,178,059	-	-	-	-	5,178,059
Negative fair value derivatives, net:						
Held for trading	1,584,565	450,936	426,292	3,025	-	2,464,818
Held as fair value hedges	51,194	-	-	-	-	51,194
Held as cash flow hedges	30,192	-	-	-	-	30,192
Other liabilities	68,287	34,165	195,121	110,712	15,016,438	15,424,723
Total liabilities	**149,815,411**	**17,576,759**	**5,614,237**	**113,737**	**158,036,482**	**331,156,626**
Commission rate sensitivity on assets and liabilities	**40,065,655**	**27,940,598**	**45,729,741**	**73,769,206**	**(134,430,396)**	**53,074,804**
Commission rate sensitivity on derivative financial instruments	**-**	**-**	**5,781,730**	**5,781,730)**	**-**	**-**
Total special commission rate sensitivity gap	**40,065,655**	**27,940,598**	**51,511,471**	**67,987,476**	**134,430,396)**	**-**
Cumulative special commission rate sensitivity gap	**40,065,655**	**68,006,253**	**119,517,724**	**187,505,200**	**53,074,804**	**-**

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2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,775,854	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	-	-	-	-	1,162,440	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	5,143,947	-	-	-	1,236,593	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	2,125,614	2,125,614
Held as fair value hedges	-	-	-	-	214,550	214,550
Held as cash flow hedges	-	-	-	-	28,218	28,218
Investments, net:						
FVOCI	1,026,380	1,222,280	5,571,221	39,939,568	423,852	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	1,664,626	1,947,797	20,109,173	27,570,047	-	51,291,643
Corporate and institutional lending	125,856,048	32,870,651	2,858,858	137,651	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**141,382,985**	**40,423,105**	**52,775,979**	**83,225,983**	**23,970,245**	**341,778,297**
Liabilities						
Due to banks and other financial institutions:						
Current accounts	80,718	-	-	-	5,212,928	5,293,646
Money market deposits	3,990,417	679,664	-	-	-	4,670,081
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits:						
Demand	-	-	-	-	138,953,931	138,953,931
Time	99,550,958	11,518,539	26,087	-	-	111,095,584
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	-	-	-	-	1,315,578	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	-	-	-	-	1,984,539	1,984,539
Held as fair value hedges	-	-	-	-	222,705	222,705
Held as cash flow hedges	-	-	-	-	24,226	24,226
Other liabilities	101,033	50,548	288,690	163,803	13,592,259	14,196,333
Total liabilities	**117,627,963**	**14,759,080**	**885,061**	**163,803**	**161,306,166**	**294,742,073**
Commission rate sensitivity on assets and liabilities	**23,755,022**	**25,664,025**	**51,890,918**	**83,062,180**	**(137,335,921)**	**47,036,224**
Commission rate sensitivity on derivative financial instruments	**3,768,394**	**306,097**	**1,634,357**	**(5,708,848)**	**-**	**-**
Total special commission rate sensitivity gap	**27,523,416**	**25,970,122**	**53,525,275**	**77,353,332**	**(137,335,921)**	**-**
Cumulative special commission rate sensitivity gap	**27,523,416**	**53,493,538**	**107,018,813**	**184,372,145**	**47,036,224**	**-**

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

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ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group does not maintain material non-trading open currency positions. Foreign currency exposures that arise in the non-trading book are transferred to the trading book and are managed as part of the trading portfolio. The foreign exchange risk VAR disclosed in note 31 (a) reflects the Group's total exposure to currency risk.

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intraday positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2024 Long / (short)	2023 Long / (short)
US Dollar	(266,533)	529,272
Euro	(1,423)	(2,200)
Sterling Pounds	3,298	(31,787)
Other	42,802	(33,645)

The table below shows the currencies to which the Bank has a significant exposure on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against ⃁, with all other variables held constant, on the statement of income and equity. A positive effect shows a potential increase in the statement of income or equity, whereas a negative effect shows a potential net reduction in the statement of income or equity.

	31 December 2024		
Currency Exposures	**Changes in currency rate in %**	**Effect on net income**	**Effect on Equity**
US Dollar	+5	(838)	736
	-5	838	(736)
Euro	+3	(40)	-
	-3	40	-
Pound Sterling	+3	(20)	-
	-3	20	-

	31 December 2023		
Currency Exposures	**Changes in currency rate in %**	**Effect on net income**	**Effect on Equity**
US Dollar	+5	(727)	765
	-5	727	(765)
Euro	+3	(41)	-
	-3	41	-
Pound Sterling	+3	(30)	-
	-3	30	-

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32. Liquidity risk

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

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA of 7% of monthly average demand deposits and 4% of monthly average 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, Saudi Government Development Bonds or assets, which 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 against Saudi Government Development securities.

The table below summarises the maturity profile of the Group's financial liabilities. 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 does not take account of effective maturities as indicated by the Group's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows. All derivatives used for hedging purposes are shown by maturity based on their contractual, undiscounted repayment obligations. As the major portion of the derivatives trading book comprises of back to back transactions and consequently the open derivatives trading exposures are small, the management believes that the inclusion of trading derivatives in the contractual maturity table is not relevant for an understanding of the timing of cash flows and hence these have been excluded. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The weekly liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liability Committee ('ALCO').

A summary report, covering the Group and operating subsidiaries, including any exceptions and remedial action taken, is submitted monthly to ALCO.

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a) Analysis of undiscounted financial liabilities by remaining contractual maturities

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	4,782,449	-	-	-	-	4,782,449
Money market deposits	10,616,905	3,309,864	-	-	-	13,926,769
Repos with banks	17,365,353	-	2,780,084	-	-	20,145,437
Others	1,821,397	701,910	-	-	-	2,523,307
Customer deposits						
Demand	-	-	-	-	137,066,920	137,066,920
Time	112,493,453	12,753,154	379,895	-	-	125,626,502
Saving	2,987,570	-	-	-	-	2,987,570
Margin and other deposits	102,893	329,729	752,106	398,351	-	1,583,079
Debt securities in issue	182,813	179,070	1,433,210	5,365,388	-	7,160,481
Lease liabilities	-	91,591	300,765	53,084	-	445,440
Total undiscounted financial liabilities	**150,352,833**	**17,365,318**	**5,646,060**	**5,816,823**	**137,066,920**	**316,247,954**

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	5,293,646	-	-	-	-	5,293,646
Money market deposits	4,021,168	697,161	-	-	-	4,718,329
Repos with banks	3,572,666	2,900,975	567,906	-	-	7,041,547
Others	275,786	-	2,523,307	-	-	2,799,093
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	100,026,031	11,795,413	29,151	-	-	111,850,595
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,337	155,118	811,093	238,031	-	1,315,579
Debt securities in issue	196,211	201,660	1,295,228	6,013,258	-	7,706,357
Lease liabilities	72,117	60,736	288,799	158,864	-	580,516
Total undiscounted financial liabilities	**115,661,359**	**15,811,063**	**5,515,484**	**6,410,153**	**138,953,931**	**282,351,990**

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b) Maturity analysis of financial assets and liabilities

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

2024	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,794,960	-	-	-	-	1,794,960
Balances with SAMA	313,000	-	-	-	15,164,156	15,477,156
Other balances	90,576	-	-	-	-	90,576
Due from banks and other financial institutions, net						
Current accounts	3,292,351	-	-	-	-	3,292,351
Money market placements	-	137,421	-	-	-	137,421
Positive fair value derivatives, net						
Held for trading	98,556	37,646	861,295	1,570,780	-	2,568,277
Held as fair value hedges	-	-	60,524	2,138	-	62,662
Held as cash flow hedges	-	-	269	-	-	269
Investments, net						
FVOCI	-	302,023	15,367,853	36,259,730	849,944	52,779,550
FVSI	3,587	1,839	66,762	364,605	566,258	1,003,051
Amortised cost	513,189	4,347,013	15,769,098	24,000,323	-	44,629,623
Loans and advances, net						
Credit cards	3,390,859	-	5,972	-	-	3,396,831
Other retail lending	4,358,402	3,085,320	21,116,468	34,070,571	-	62,630,761
Corporate and institutional lending	57,013,786	44,470,409	45,722,458	46,111,271	-	193,317,924
Other assets	-	-	-	-	3,050,018	3,050,018
Total assets	**70,869,266**	**52,381,671**	**98,970,699**	**142,379,418**	**19,630,376**	**384,231,430**
Liabilities						
Due to banks and other financial institutions						
Current accounts	4,782,449	-	-	-	-	4,782,449
Money market deposits	10,661,278	3,231,744	-	-	-	13,893,022
Repo with banks	17,343,589	-	2,463,434	-	-	19,807,023
Others	1,813,190	701,297	-	-	-	2,514,487
Customer deposits						
Demand	-	-	-	-	137,066,920	137,066,920
Time	112,504,626	12,531,534	336,930	-	-	125,373,090
Saving	2,987,570	-	-	-	-	2,987,570
Margin and other deposits	105,497	329,729	749,378	398,475	-	1,583,079
Debt securities in issue	178,059	-	5,000,000	-	-	5,178,059
Negative fair value derivatives, net						
Held for trading	90,229	34,541	834,036	1,506,012	-	2,464,818
Held as fair value hedges	-	-	50,282	912	-	51,194
Held as cash flow hedges	-	-	30,192	-	-	30,192
Other liabilities	1,349,541	756,408	497,778	49,085	12,771,911	15,424,723
Total liabilities	**151,816,028**	**17,585,253**	**9,962,030**	**1,954,484**	**149,838,831**	**331,156,626**

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2024	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Commitments and contingencies					
Letters of credit	8,484,084	7,225,631	1,981,081	960,378	18,651,174
Letters of guarantee	16,361,006	37,125,267	40,594,091	34,037,616	128,117,980
Acceptances	2,907,190	370,186	13,744	-	3,291,120
Irrevocable commitments to extend credit	13,565,901	6,107,988	-	652,658	20,326,547
Total commitments and contingencies	**41,318,181**	**50,829,072**	**42,588,916**	**35,650,652**	**170,386,821**

2023	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net						
Current accounts	6,380,540	-	-	-	-	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net						
Held for trading	101,496	93,187	542,183	1,388,748	-	2,125,614
Held as fair value hedges	1,422	3,390	103,399	106,339	-	214,550
Held as cash flow hedges	3,594	-	-	24,624	-	28,218
Investments, net						
FVOCI	1,026,379	1,222,280	5,571,221	39,939,568	423,853	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net						
Credit cards	2,912,764	-	8,230	-	-	2,920,994
Other retail lending	3,057,257	1,563,031	20,540,006	26,131,349	-	51,291,643
Corporate and institutional lending	60,683,130	37,758,682	44,856,146	18,425,250	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**81,875,866**	**45,022,947**	**95,857,912**	**101,594,595**	**17,426,977**	**341,778,297**
Liabilities						
Due to banks and other financial institutions						
Current accounts	5,293,646	-	-	-	-	5,293,646
Money market deposits	3,990,417	679,664	-	-	-	4,670,081
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	99,550,958	11,518,539	26,087	-	-	111,095,584
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,371	155,118	811,093	237,996	-	1,315,578
Debt securities in issue	177,862	-	5,000,000	-	-	5,177,862
Negative fair value derivatives, net						
Held for trading	53,756	110,262	462,433	1,358,088	-	1,984,539
Held as fair value hedges	-	-	1,351	221,354	-	222,705
Held as cash flow hedges	1,652	-	16,588	5,986	-	24,226
Other liabilities	899,850	157,338	1,186,721	173,558	11,778,866	14,196,333
Total liabilities	**118,806,487**	**15,131,250**	**8,074,557**	**1,996,982**	**150,732,797**	**294,742,073**

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2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Commitments and contingencies					
Letters of credit	6,649,401	6,312,244	871,469	1,829,855	15,662,969
Letters of guarantee	7,616,608	28,136,313	34,883,582	27,925,910	98,562,413
Acceptances	3,027,251	572,735	12,688	256,493	3,869,167
Irrevocable commitments to extend credit	642,248	11,454,003	217,829	394,820	12,708,900
Total commitments and contingencies	**17,935,508**	**46,475,295**	**35,985,568**	**30,407,078**	**130,803,449**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection, loans and advances to banks and loans and advances to customers. Letters of guarantee are as per contractual terms and in the event of default may be payable on demand and therefore are current in nature.

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

				Amount not set off in the consolidated statement of financial position	
2024	Gross amounts recognized	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Collateral / pledged	Net amount
Financial assets					
Positive fair value of derivatives	2,631,208	-	2,631,208	(118,120)	2,513,088
Financial liabilities					
Negative fair value of derivatives	2,546,204	-	2,546,204	(608,012)	1,938,192
Repurchase agreements	19,807,023	-	19,807,023	(19,312,949)	494,074
2023					
Financial assets					
Positive fair value of derivatives	2,368,382	-	2,368,382	(355,372)	2,013,010
Financial liabilities					
Negative fair value of derivatives	2,231,470	-	2,231,470	(300,450)	1,931,020
Repurchase agreements	6,974,026	-	6,974,026	(6,886,385)	87,641

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and continued to be measured in accordance with related accounting policies for the underlying financial assets held as 'FVSI', 'FVOCI' and amortised cost.

Assets pledged under these transactions may be re-pledged / sold by the counter-parties to whom they have been transferred. These transactions are conducted under the terms that are usual and customary to standard securities borrowing and lending activities as well as requirements determined by exchanges in which the Group acts as a participant.

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

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

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously.

34. Fair value of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

		Fair value			
2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,631,208	-	2,631,208	-	**2,631,208**
Investments held as FVSI	1,003,051	161,143	841,908	-	**1,003,051**
Investments held as FVOCI – Debt	52,170,144	-	52,170,144	-	**52,170,144**
Investments held as FVOCI – Equity	609,406	391,703	-	217,703	**609,406**
Financial assets not measured at fair value					
Due from banks and other financial institutions	3,429,772	-	3,429,772	-	**3,429,772**
Investments held at amortised cost	44,629,623	-	41,975,536	-	**41,975,536**
Loans and advances	259,345,516	-	-	255,731,817	**255,731,817**
Financial liabilities measured at fair value					
Derivative financial instruments	2,546,204	-	2,546,204	-	**2,546,204**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	40,996,981	-	40,996,981	-	**40,996,981**
Customers' deposits	267,010,659	-	266,809,826	-	**266,809,826**
Debt securities in issue	5,178,059	-	5,178,059	-	**5,178,059**

2023	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,368,382	-	2,368,382	-	**2,368,382**
Investments held as FVSI	1,017,062	112,971	904,091	-	**1,017,062**
Investments held as FVOCI – Debt	47,759,449	-	47,759,449	-	**47,759,449**
Investments held as FVOCI – Equity	423,852	250,046	-	173,806	**423,852**
Financial assets not measured at fair value					
Due from banks and other financial institutions	7,407,481	-	7,407,481	-	**7,407,481**
Investments held at amortised cost	47,366,473	-	44,893,595	-	**44,893,595**
Loans and advances	215,935,845	-	-	215,808,170	**215,808,170**
Financial liabilities measured at fair value					
Derivative financial instruments	2,231,470	-	2,231,470	-	**2,231,470**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	19,678,918	-	19,678,918	-	**19,678,918**
Customers deposits	253,457,490	-	253,223,786	-	**253,223,786**
Debt securities in issue	5,177,862	-	5,177,862	-	**5,177,862**

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets The difference between the transaction price and the model value is commonly referred to as 'day one profit or loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

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

Derivatives classified as Level 2 comprise OTC special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

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FVOCI equity investments include investments in local listed shares carried at market price listed on local stock exchange.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 represents private equity investments, the fair value of which is determined based on the latest reported net assets value as at the reporting date. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movements only.

Fair values of listed investments are determined using mid marked prices. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue are floating rate instruments that re-price within a year (every 6 months) and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period. The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring level 3 fair value at 31 December 2024 and 31 December 2023 as well as the significant unobservable input used:

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable input and fair value measurement
Investment held at FVOCI – equity	Using net assets per audited financial statements of Investee. Applying Bank shareholding percentage to value the investments with changes recognises in OCI.	Net assets of the Investee	Valuation has direct relationship to net assets of the Investee.

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Reconciliation of Level 3 fair values
The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values for Investment held at FVOCI – equity.

	2024	2023
Opening balance	**173,806**	**23,763**
Net change in fair value (unrealized)	43,263	149,686
Addition	634	357
Closing balance	**217,703**	**173,806**

35. Related party transactions
In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the Management and the Board, the related party transactions are performed in normal course of business. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA.

Managerial and specialised expertise is provided under a technical services agreement with HSBC Holdings plc, the parent company of HSBC Holdings BV. This agreement was amended on 3 October 2018 and renewed for a period of 10 years, commencing on 30 September 2017. The year end balances included in the consolidated financial statements resulting from related party transactions are as follows:

	2024	2023
HSBC:		
Due from banks and other financial institutions	678,257	1,305,070
Investments	6,395	8,226
Fair value derivatives, net	6,776	9,607
Due to banks and other financial institutions	3,116,767	3,993,071
Commitments and contingencies	9,941,065	6,244,070
Associates:		
Investments	463,350	462,046
Other assets	7,925	5,824
Customer deposits	934,062	900,888
Retained Earnings	12,578	12,000
Commitments and contingencies	1,764	1,764
Directors, board committees, other major Shareholders, key management personnel and their affiliates:		
Investments	206,866	161,772
Loans and advances	2,337,076	1,464,342
Customers' deposits	4,668,221	4,583,743
Negative fair value derivatives, net	12,513	12,544
Other liabilities	23,391	17,235
Tier 1 Sukuk	204,000	-
Commitments and contingencies	134,139	127,092

Other major Shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Group's issued share capital.

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	2024	2023
Related mutual funds:		
Investments	420,403	389,473
Customers' deposits	39,266	16,105
Debt securities in issue	200,000	200,000
Subsidiaries:		
Investments	75,366	72,527

Below represent transactions with an associate other than those disclosed elsewhere in these consolidated financial statements.

Associates	2024	2023
Special commission income	73	601
Special commission expense	243,398	221,826
Fees and commission income	11,378	7,288
Service charges paid to an associate	7,861	1,768
Service charges recovered from associate	29,267	22,696
Profit share paid to associate relating to investment banking activities	107,915	74,424
HSBC, directors, board committees, other major shareholders, key management personnel and their affiliates:		
Special commission income	183,797	174,262
Special commission expense	119,675	77,382
Fees and commission income	68,689	65,444
General and administrative expenses	53,080	57,550
Service charges paid to HSBC	312,872	44,315
Directors' and board committees' remuneration	17,361	6,778

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

	2024	2023
Short-term employee benefits *	51,987	47,756
Other long-term benefits	19,995	16,841
Share-based payments	7,449	5,544

* Short-Term Employee benefits includes: Salaries, Allowances, Benefits, Cash bonus paid during the year

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

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36. Capital risk management

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

SAMA, through Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), provided guidance on the interim approach and transitional arrangements for accounting allocations under IFRS 9. The directive required banks to transition the initial impact on the capital adequacy ratio over five years. However, the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures allows banks to add back up to 100% of the transitional adjustment amount to Common Equity Tier 1 ('CET1') for the full two-year period of 2020 and 2021, effective from the 31 March 2021 financial statement reporting. Starting in 2022, the add-back amount will be phased out on a straight-line basis over three years. As a result of these revised transitional arrangements, the Group's Tier 1 ratio improved by 23 basis points for the year ended 31 December 2024.

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

	2024	2023
Risk Weighted Assets (RWA)		
Credit Risk RWA	308,505,820	279,968,368
Operational Risk RWA	12,233,759	10,458,162
Market Risk RWA	1,193,229	3,724,396
Total RWA	**321,932,808**	**294,150,926**
Common Equity Tier I Capital	49,660,716	48,053,574
Additional Tier I Capital (Note 19)	7,965,000	3,985,000
Tier I Capital	**57,625,716**	**52,038,574**
Tier II Capital	**5,778,894**	**5,958,473**
Total I and II Capital	**63,404,610**	**57,997,047**
Capital Adequacy Ratio %		
Tier I ratio	17.90%	17.69%
Tier I + Tier II ratio	19.69%	19.72%
CET1	15.43%	16.34%

37. Investment management and brokerage services

The Group offers investment management services to its customers that include the management of investment funds and discretionary portfolios with total assets of ⃁ 35.04 billion (2023: ⃁ 27.25 billion), in consultation with professional investment advisors. The financial statements of these funds are not consolidated with the consolidated financial statements of the Group. The Group's investment in these funds is included in investments held as FVSI. Fees earned from management services are recorded within fee and commission income and are disclosed under 'related party transactions'. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, therefore, are not included in these consolidated financial statements.

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38. Profit sharing investment account (PSIA)

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

As of 31 December 2024, all joint financing is funded by comingled pools which includes funds from Mudaraba based unrestricted investment accountholder.

Average gross financing and investments (IAH funds only) by type of contract:

	2024	2023
Sales and other receivables (Murabaha)	1,311,080	1,667,071
Ijarah	166,270	192,069
Other instruments including Sukuk investments	552,266	697,042
Total average financing and investments	**2,029,616**	**2,556,182**

b) The basis for calculating and allocating profits between the Group and the IAHs:

Computation of pool income is as follows:

	2024	2023
Total pool income	**91,907**	**101,088**
Pool Income	91,907	101,088
Mudarib fee including Mudarib's share of profit	60,280	53,869
Total amount attributable to shareholders pool	**31,627**	**47,219**

The basis of allocating the profits between IAH and the Group

The profit sharing allocation percentages between IAH and Group vary for different types of customers and are agreed through terms and conditions or any subsequent updates. The exact amount of profit paid to each customer, from the distributable profit is shown in their statement of account.

c) Average equity of the IAHs at the end of the reporting period:

	2024	2023
Average investment account holders balance before profit	2,029,616	2,556,182
Profit for the IAH during the year	31,627	47,219
Profit paid out during the year	(31,627)	(47,219)
Total average equity for investment account holders	**2,029,616**	**2,556,182**

39. Government grant

During the year of 2023, the Real Estate Development Fund ('REDF') launched a new programme ('the programme') to support residential mortgage finance to certain eligible customers at a subsidized profit rate and within a specified period. The Bank signed an agreement with REDF to become a party to this programme on 11 November 2023.

In accordance with the requirements of IFRS 9, the programme has resulted in a fair value loss on origination of the subsidized mortgage facilities due to the below market profit rate which is offset by the compensation amount received from REDF. The Bank's management has determined that the amount received qualifies as a government grant under IAS 20 and is recorded as deferred income being amortized over the average life of the loans.

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40. Auditors' remuneration

	2024	2023
Fees for the quarterly reviews and annual audit of the Group	10,361	8,699
Fees for other services	1,378	1,892
Total	**11,739**	**10,591**

41. Comparative figures

During the year, the Bank has re-evaluated the presentation of certain balances within due to banks and other financial institutions in the consolidated statement of financial position to determine if such balances were appropriately presented in the consolidated financial statements. These balances were re-evaluated by management as new information was received to substantiate the fact that these balances were in fact deposits from customers. Where necessary, changes in presentation of prior years were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

As a result of the re-evaluation, the liability balances amounting to ⃁ 12.5 billion as of 31 December 2023 (1 January 2023: ⃁ 8.1 billion) were reclassified from due to banks and other financial institutions to customers' deposits. The consolidated statement of cash flows for the year ended 31 December 2023 was adjusted to reflect the changes in the consolidated statement of financial position. The related special commission expense for the year ended 31 December 2023 is accordingly reclassified from due to banks and other financial institutions to customers' deposits in note 21.

Further, special commission paid on debt securities in issue have been reclassified from financing activities to operating activities in the consolidated statement of cash flows to align with related classification.

These reclassifications have no impact on previously reported results or the equity of the Group.

42. Subsequent event

The Board of Directors has proposed on 5 Sha'ban 1446H (Corresponding 4 February 2025) a net dividend of ⃁ 2,055 million for the second half of year 2024, resulting in ⃁ 1.00 per share for Saudi shareholder's net of Zakat. The income tax of the foreign shareholders will be deducted from their share of the dividends.

43. Board of Directors' approval

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 3 Sha'ban 1446H (Corresponding 2 February 2025).