Riyad Bank

(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended 31 December 2023
And the Independent Auditors' Report

بنك الرياض
Riyad Bank

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

بنك الرياض
Riyad Bank

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

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

Key Audit 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
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company) (continued)

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Expected credit loss allowance against loans and advances

As at December 31, 2023, the gross loans and advances of the Group were SAR 279.32 billion against which an expected credit loss ("ECL") allowance of SAR 4.92 billion was maintained.

We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:

1. Categorisation of loans and advances into 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 judgements to identify and estimate the likelihood of borrowers that may have individually experienced SICR..

2. Assumptions used in the ECL models 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 probability weightages.

3. The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors that might not have been captured by the ECL models.

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- We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology including 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 International Financial Reporting Standards (9) ("IFRS 9").

- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology "IT" general and application controls) over:
  - the ECL models, including governance over the models, its validation during the year, and any model updates performed during the year, including approval of the Credit Risk Management Committee of the key inputs, assumptions and post model overlays, if any;
  - 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 models; and
  - the integrity of data inputs into the ECL models.

- For a sample of customers, we assessed:
  - the internal ratings determined by management, based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information. We also assessed that these were consistent with the ratings used as inputs in the ECL models;
  - management's computations of ECL; and

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

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
Application of these judgements and estimates, result in estimation uncertainty and the associated audit risk around the ECL calculation as at December 31, 2023. *Refer to the summary of material accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 34.3 (a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	○ for selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. ▪ We assessed the appropriateness of 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 adjustment to the output from the ECL models, due to data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL models including forward looking assumptions keeping in view uncertainty and volatility in economic scenarios. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2023. ▪ Where required, we involved our experts to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL models particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays. ▪ We assessed the adequacy of disclosures in the consolidated financial statements.

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

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 and commodity swaps ("swaps"); forward foreign exchange contracts ("forwards"); currency options ("options"); and other derivative contracts. Swaps, forwards, options 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 flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well. We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modeling techniques. As at December 31, 2023, the positive and negative fair value of derivatives held by the Group amounted to SAR 3.67 billion and SAR 3.43 billion, respectively. *Refer to the basis of preparation note 2d(ii) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 31 for the accounting policy relating to derivative financial instruments and hedge accounting; and note 6 which discloses the derivative positions as at the reporting date.*	▪ We assessed the design and implementation, and tested the operating effectiveness, of key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for derivatives. ▪ We selected a sample of derivatives and: o Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; o Assessed the appropriateness of the key inputs to the derivative valuation models; o We involved our experts to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and o Assessed the hedge effectiveness performed by the Group and corroborated the related hedge accounting; ▪ Assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the consolidated financial statements.

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

Other information included in the Group's 2023 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 2023 annual report (the "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 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charge with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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 the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company) (continued)

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

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

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10 Sha'ban 1445H
(20 February 2024)

بنك الرياض
Riyad Bank

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023 and 2022

	Note	2023 SAR'000	2022 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA), net	4	**26,175,226**	33,366,652
Due from banks and other financial institutions, net	5	**15,433,725**	20,613,232
Positive fair value of derivatives	6	**3,668,130**	3,790,841
Investments, net	7	**58,108,824**	52,196,120
- Investment at fair value through income statement (FVIS)	7 a)	**2,322,845**	1,363,419
- Investment at amortised cost, net	7 a)	**34,618,204**	33,366,959
- Investments at fair value through other comprehensive income(FVOCI)	7 a)	**21,167,775**	17,465,742
Loans and advances, net	8	**274,398,246**	242,364,947
Other assets	11	**2,547,120**	3,175,946
Investment in associates	9	**379,941**	371,215
Other real estate		**670,470**	465,249
Property, equipment and right of use assets, net	10	**5,467,247**	3,308,655
Total assets		**386,848,929**	359,652,857
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	12	**42,464,026**	38,760,068
Negative fair value of derivatives	6	**3,428,575**	2,854,285
Customer deposits	13	**254,907,624**	240,007,085
Debt securities in issue and term loan	14 a)	**13,372,622**	8,758,419
Other liabilities	15	**12,418,011**	13,099,651
Total liabilities		**326,590,858**	303,479,508
Shareholders' equity			
Share capital	16	**30,000,000**	30,000,000
Treasury shares	17	**(165,912)**	-
Statutory reserve	18	**12,953,515**	10,942,054
Other reserves	19	**(369,203)**	(790,260)
Retained earnings		**11,277,171**	7,500,430
Proposed dividends	29	**-**	1,950,000
Equity attributable to the shareholders of the Bank		**53,695,571**	49,602,224
Tier 1 Sukuk	14 b)	**6,562,500**	6,571,125
Total equity		**60,258,071**	56,173,349
Total liabilities and equity		**386,848,929**	359,652,857

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

Abdullah A. Al-Oraini
Chief Financial Officer

Nadir S Al-Koraya
Chief Executive Officer

Eng. Abdullah M. Al-Issa
Chairman of the Board

Riyad Bank بنك الرياض

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 2023 and 2022

	Note	2023 SAR'000	2022 SAR'000
Special commission income	21	**20,606,115**	12,907,561
Special commission expense	21	**8,191,837**	2,855,116
Net special commission income		**12,414,278**	10,052,445
Fee and commission income	22	**3,730,796**	3,559,071
Fee and commission expense	22	**1,346,175**	1,130,404
Fee and commission income, net		**2,384,621**	2,428,667
Exchange income, net		**608,106**	633,379
Trading income, net	23	**419,944**	219,029
Dividend income		**40,801**	79,861
(Losses)/ gains on disposal of non-trading investments, net	24	**(43,630)**	121,775
Other operating income	25	**74,718**	64,210
Total operating income, net		**15,898,838**	13,599,366
Salaries and employee-related expenses	26	**2,542,164**	2,257,505
Rent and premises-related expenses		**219,979**	195,409
Depreciation of property, equipment and right of use assets	10	**695,356**	540,532
Other general and administrative expenses	27	**1,463,518**	1,336,308
Other operating expenses		**47,607**	80,423
Total operating expenses before impairment charge		**4,968,624**	4,410,177
Impairment charge for credit losses and other financial assets, net	8 e)	**1,875,464**	1,027,400
Impairment charge for investments, net		**96,224**	253,115
Total operating expenses, net		**6,940,312**	5,690,692
Net operating income		**8,958,526**	7,908,674
Share in income (losses) of associates, net		**12,273**	(80,238)
Income before zakat		**8,970,799**	7,828,436
Zakat	30	**924,955**	809,114
Net income		**8,045,844**	7,019,322
Basic and diluted earnings per share (in SAR)	28	**2.58**	2.32

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

Abdullah A. Al-Oraini
Chief Financial Officer

Nadir S Al-Koraya
Chief Executive Officer

Eng. Abdullah M. Al-Issa
Chairman of the Board

Riyad Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

	2023 SAR'000	2022 SAR'000
Net income	**8,045,844**	7,019,322
Other comprehensive income (OCI):		
a) Items that will be reclassified to consolidated statement of income in subsequent periods		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value	**211,552**	(1,988,932)
- Net amounts transferred to consolidated statement of income	**43,630**	(86,145)
- Net changes in allowance for expected credit losses (ECL) of debt instruments	**98,820**	261,430
- Effective portion of net change in fair value of cash flow hedge	**(13,118)**	149,612
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial (losses) gains on defined benefit plans (note 31 d)	**(127,711)**	201,103
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments)	**207,884**	(69,264)
Other comprehensive income (loss)	**421,057**	(1,532,196)
Total comprehensive income	**8,466,901**	5,487,126

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

Abdullah A. Al-Oraini
Chief Financial Officer

Nadir S Al-Koraya
Chief Executive Officer

Eng. Abdullah M. Al-Issa
Chairman of the Board

Riyad Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

SAR'000	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders	Tier 1 sukuk	Total equity
31 December 2023									
Balance at the beginning of the year	**30,000,000**	**-**	**10,942,054**	**(790,260)**	**7,500,430**	**1,950,000**	**49,602,224**	**6,571,125**	**56,173,349**
Total comprehensive income									
Net changes in fair values of									
- FVOCI -equity instruments	**-**	**-**	**-**	**207,884**	**-**	**-**	**207,884**	**-**	**207,884**
- FVOCI -debt instruments	**-**	**-**	**-**	**211,552**	**-**	**-**	**211,552**	**-**	**211,552**
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	**-**	**-**	**-**	**43,630**	**-**	**-**	**43,630**	**-**	**43,630**
Net changes in allowance for expected credit credit losses on FVOCI -debt instruments	**-**	**-**	**-**	**98,820**	**-**	**-**	**98,820**	**-**	**98,820**
Actuarial loss (Note 31 d)	**-**	**-**	**-**	**(127,711)**	**-**	**-**	**(127,711)**	**-**	**(127,711)**
Net change in fair value of cash flow hedge	**-**	**-**	**-**	**(13,118)**	**-**	**-**	**(13,118)**	**-**	**(13,118)**
Net income	**-**	**-**	**-**	**-**	**8,045,844**	**-**	**8,045,844**	**-**	**8,045,844**
Total comprehensive income	**-**	**-**	**-**	**421,057**	**8,045,844**	**-**	**8,466,901**	**-**	**8,466,901**
Final dividends paid - 2022(note 29)	**-**	**-**	**-**	**-**	**-**	**(1,950,000)**	**(1,950,000)**	**-**	**(1,950,000)**
Tier 1 sukuk costs	**-**	**-**	**-**	**-**	**(310,416)**	**-**	**(310,416)**	**(8,625)**	**(319,041)**
Treasury shares (note 17)	**-**	**(165,912)**	**-**	**-**	**-**	**-**	**(165,912)**	**-**	**(165,912)**
Interim dividend - 2023 (note 29)	**-**	**-**	**-**	**-**	**(1,947,226)**	**-**	**(1,947,226)**	**-**	**(1,947,226)**
Transfer to statutory reserve (note 18)	**-**	**-**	**2,011,461**		**(2,011,461)**	**-**	**-**	**-**	**-**
Balance at the end of the year	**30,000,000**	**(165,912)**	**12,953,515**	**(369,203)**	**11,277,171**	**-**	**53,695,571**	**6,562,500**	**60,258,071**
31 December 2022									
Balance at the beginning of the year	30,000,000	-	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771
Total comprehensive income									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	(69,264)	-	-	(69,264)	-	(69,264)
- FVOCI -debt instruments	-	-	-	(1,988,932)	-	-	(1,988,932)	-	(1,988,932)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	(86,145)	-	-	(86,145)	-	(86,145)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	-	261,430	-	-	261,430	-	261,430
Actuarial gains(note 31 d)				201,103	-	-	201,103		201,103
Net change in fair value of cash flow hedge	-	-	-	149,612	-	-	149,612	-	149,612
Net income	-	-	-	-	7,019,322	-	7,019,322	-	7,019,322
Total comprehensive income	-	-	-	(1,532,196)	7,019,322	-	5,487,126	-	5,487,126
Disposal of FVOCI-equity instruments	-	-	-	(895,500)	895,500	-	-	-	-
Final dividends paid - 2021	-	-	-	-	-	(1,620,000)	(1,620,000)	-	(1,620,000)
Tier 1 sukuk issued	-	-	-	-	-	-	-	6,571,125	6,571,125
Tier 1 sukuk costs	-	-	-	-	(64,673)	-	(64,673)	-	(64,673)
Interim dividend - 2022 (note 29)	-	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Transfer to statutory reserve (note 18)	-	-	1,754,830		(1,754,830)	-	-	-	-
Final proposed dividend - 2022 (note 29)	-	-	-	-	(1,950,000)	1,950,000	-	-	-
Balance at the end of the year	30,000,000	-	10,942,054	(790,260)	7,500,430	1,950,000	49,602,224	6,571,125	56,173,349

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

Abdullah A. Al-Oraini
Chief Financial Officer

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Chief Executive Officer

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Chairman of the Board

بنك الرياض
Riyad Bank

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2023 and 2022

OPERATING ACTIVITIES	Note	2023 SAR'000	2022 SAR'000
Income before zakat		**8,970,799**	7,828,436
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		**(453,673)**	(89,042)
Losses/ (gains) on disposal of non-trading investments, net		**43,630**	(121,775)
Gains on trading investments, net		**(68,021)**	(37,288)
Losses/ (gains)on sale of property and equipment, net		**4,566**	(20,833)
Dividend income		**(40,801)**	(79,861)
Depreciation of property, equipment and right of use assets		**695,356**	540,532
Share in (income)/ losses of associates, net		**(12,273)**	80,238
Impairment charge for credit losses and other financial assets, net	8 e)	**1,875,464**	1,027,400
Interest on lease liabilities		**(17,936)**	(19,214)
Impairment charge for investments, net		**96,224**	253,115
		11,093,335	9,361,708
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**(824,568)**	(2,165,728)
Due from banks and other financial institutions maturing after three months from date of acquisition		**-**	500,000
Positive fair value of derivatives		**122,711**	(2,376,326)
Investments at FVIS		**(891,405)**	(149,518)
Loans and advances, net		**(33,867,292)**	(26,105,305)
Other real estate		**(205,221)**	(151,685)
Other assets		**628,826**	(1,405,255)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**3,703,958**	(4,374,072)
Negative fair value of derivatives		**574,290**	1,394,141
Customer deposits		**14,900,539**	28,328,788
Principal on lease liabilities		**(225,354)**	(204,509)
Other liabilities		**90,785**	514,094
		(4,899,396)	3,166,333
Zakat paid		**(1,282,325)**	(1,168,028)
Net cash (used in) from operating activities		**(6,181,721)**	1,998,305
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**10,011,007**	137,722,310
Purchase of investments not held as FVIS instruments		**(14,417,241)**	(132,916,940)
Purchase of property and equipment		**(2,946,789)**	(1,297,439)
Proceeds from sale of property and equipment		**88,275**	175,187
Advance against purchase of property and equipment		**-**	-
Net cash (used in) from investing activities		**(7,264,748)**	3,683,118
FINANCING ACTIVITIES			
Debt securities in issue and term loan, net		**4,614,203**	-
Tier 1 sukuk issuance	14	**(8,625)**	6,571,125
Dividend paid		**(3,878,282)**	(3,108,480)
Tier 1 sukuk related costs		**(310,416)**	(64,673)
Purchase of treasury shares		**(165,912)**	-
Net cash from financing activities		**250,968**	3,397,972
(Decrease) increase in cash and cash equivalents		**(13,195,501)**	9,079,395
Cash and cash equivalents at beginning of the year		**41,486,081**	32,406,686
Cash and cash equivalents at end of the year	32	**28,290,580**	41,486,081
Special commission received during the year		**20,236,585**	12,269,203
Special commission paid during the year		**7,540,378**	2,200,844
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		**449,948**	(1,994,729)
Right of use (ROU) assets		**(67,514)**	(20,743)
Lease liabilities		**(75,990)**	(11,164)

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

Abdullah A. Al-Oraini	Nadir S Al-Koraya	Eng. Abdullah M. Al-Issa
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 335 (2022: 338) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 7,887 as at December 31, 2023 (2022: 6,794 employees). The Bank's Head Office is located at the following address:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Group is to provide a full range of banking and investment services. The Bank also provides to its customers, non-conventional banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group"),

Subsidiary	Ownership	Description
Riyad Capital	100%	engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority, incorporated in the Kingdom of Saudi Arabia
Ithra Al-Riyad Real Estate Company	100%	formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities, incorporated in the Kingdom of Saudi Arabia
Riyad Company for Insurance Agency (under liquidation)	100%	acts as an agent for selling insurance products owned and managed by another principal insurance company, incorporated in the Kingdom of Saudi Arabia
Esnad Al-Riyadh	100%	a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group,
Curzon Street Properties Limited	100%	a property holding company, incorporated in the Isle of Man
Riyad Financial Markets	100%	a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank, incorporated in the Cayman Islands
Jeel Digital Innovation Company	100%	engaged in systems analysis, application and operating systems development, hosting websites, financial technology solutions and related activities , incorporated in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group as at and for the years ended December 31, 2023 and 2022, respectively, have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

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

2. BASIS OF PREPARATION (continued)

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments and defined benefit obligations. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc..

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

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

Judgement of equity vs liability for Tier 1 Sukuk

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

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions(continued)

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

i) Expected credit losses (ECL) on financial assets

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

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

-The Group's internal credit grading model, which assigns Probabilities of default (PDs) to the individual grades

-The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment

-The segmentation of financial assets when their ECL is assessed on a collective basis

-Development of ECL models, including the various formulae and the choice of inputs

-Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

-Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 34.3 (b) (v)).

ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include 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.

ii) Fair value measurement

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

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

The principal or the most advantageous market must be accessible by 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: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value in the 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.

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions (continued)

iii) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

iv) Defined benefit scheme

The Group operates an End of Service Benefit scheme for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate refer note 31.

v) Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within 'fee and commission income, net'.

vi) Government Grant

The management has exercised certain judgements in the recognition and measurement of the grant income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements are set out below.

3.1 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 December 31, 2022.

Following standard, interpretation or amendment are effective from the annual reporting period beginning on January 1, 2023 and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

Standard, interpretation, amendments	Description
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies and definition to accounting estimate
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Accounting standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 1, 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	January 1, 2024

Other standards issued but not yet effective

IFRS S1 - General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024 subject to endorsement from SOCPA
IFRS S2 - Climate-related disclosures	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies

a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) Financial Asset at amortised cost (AC)

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; 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 (SPPI test).

ii) Financial Asset at FVOCI

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

- the asset is held within a business model whose objective is 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. Interest income and foreign exchange gains and losses are recognised in profit or loss.

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.

iii) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

a) Classification of financial assets (continued)

The details of business model assessment and SPPI test are explained below.

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

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

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

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

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

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

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Classification of financial liabilities

All money market deposits, customer deposits and debt securities in issue and term loan are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

c) Derecognition

i) Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of income.

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

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

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

ii) Financial liabilities

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

d) Modifications of financial assets and financial liabilities

i) Financial assets

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

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

ii) Financial liabilities

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

e) Impairment

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

- debt investment securities;
- due from bank balances;
- financial guarantee contracts issued;
- loan and advances; and
- loan commitments

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

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

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' (i.e. a credit rating of 'BBB' or above).

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

e) Impairment (continued)

Measurement of ECL

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

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

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

- financial assets: the original effective interest rate or an approximation thereof;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, and 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 debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In 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.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

e) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the 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: The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank 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. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank'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, if any, are transferred to their relevant asset category at the fair value, if material. 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 Bank's policy.

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

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 impairment charge for credit losses.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, primarily on uncommitted basis, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. Based on uncommitted nature of such exposures, past experience, and the Bank's expectations, the period over which the Bank calculates ECL for these products is less than one year for corporate Overdrafts and up to two years for corporate and retail credit cards. The ongoing assessment of whether a significant increase in credit risk has occurred for such product exposures is similar to other lending products that is based shifts in the customer's internal credit grade/PDs, and where applicable on the basis of Days Past Due (DPD) rules. 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. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments:the Group recognizes loss allowance based on the ECL requirement.

g) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the consolidated statement of income on a systematic basis over the period in which the bank 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 Bank.

h) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in statement of income, using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial instrument.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Revenue / expenses recognition (continued)

Measurement of amortized cost and special commission income

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

Others

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Revenue / expenses recognition (continued)

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

Brokerage income

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

Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based"), or % of capital deployed/raised subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligation, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortised over the period of the service (deferred income).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as ”Hassad points”), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity’s shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Investment funds

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

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

l) Derivative financial instruments and hedge accounting

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

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income/ loss. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

l) Derivative financial instruments and hedge accounting (continued)

(ii) Hedge accounting (continued)

(a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately 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. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained 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 comprehensive income is transferred to the consolidated statement of income for the period.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

n) Offsetting financial instruments

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

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.
Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

p) Other real estate

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

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

r) Profit sharing investment account (PSIA)

The Bank offers Unrestricted Investment Accounts based on fully Sharia compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds (IAH) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities.

Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

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

The profit equalization reserve is the amount the bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and unrestricted investment accountholders.

Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

s) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. 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 the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

t) Provisions

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

u) Accounting for leases - Right of Use Asset / Lease Liabilities

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

Right of Use Assets

The Group measures right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. 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, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. 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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

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

v) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

w) End of service benefits

The provision for employees' end of service benefits is accrued using actuarial valuation according to the regulations of Saudi Labor Law and local regulatory requirements.

x) 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 statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax is recognized in the consolidated statement of income.

Value Added tax ("VAT")

The Group is also subject to VAT in accordance with the regulations of the ZATCA, and 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.

y) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

z) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, 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.

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

iii) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

aa) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

ab) Settlement date accounting

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

ac) Tier 1 Sukuk

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

ad) Treasury shares

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

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA),NET

	2023 SAR'000	2022 SAR'000
Cash in hand	**3,450,448**	4,197,499
Statutory deposit	**13,318,371**	12,493,803
Placements with SAMA	**9,141,203**	16,166,001
Other balances	**265,204**	509,349
Total	**26,175,226**	33,366,652

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

The allowance for expected credit losses (ECL), in respect of the above, was marginal as on December 31, 2023 and 2022. The ECL allowance relates to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2023 SAR'000	2022 SAR'000
Current accounts	**6,459,825**	6,541,293
Money market placements	**8,975,332**	14,072,521
Less: Allowance for ECL	**(1,432)**	(582)
Total	**15,433,725**	20,613,232

Money market placements include margin deposits amounting to SAR 1,444 million (2022: SAR 1,109 million).

An analysis of changes in loss allowance is as follows:

SAR'000	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL - not credit impaired**	**Stage 3 lifetime ECL - credit impaired**	**Total**
Balance at January 1, 2023	**582**	**-**	**-**	**582**
Transfer from Stage 2 & Stage 3 to Stage 1	**-**	**-**	**-**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(4)**	**4**	**-**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Net remeasurement and other movements	**850**	**-**	**-**	**850**
Balance as at December 31, 2023	**1,428**	**4**	**-**	**1,432**

SAR'000				
Balance at January 1, 2022	2,441	-	-	2,441
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net remeasurement and other movements	(1,859)	-	-	(1,859)
Balance as at December 31, 2022	582	-	-	582

6. DERIVATIVES

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

a) Swaps

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

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are 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 on daily basis.

c) Options

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

Held for trading purposes

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

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc.

Fair value hedges

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

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate at a variable rate. The Group uses special commission rate swaps as cash flow hedges of these special commission rate risks.

6. DERIVATIVES (continued)

The table below shows the positive and negative fair values of derivative financial instruments held, together with their notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

				Notional amounts by term to maturity				
2023 **SAR'000**	**Positive fair value**	**Negative fair value**	**Notional amount total**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Monthly average**
Held for trading:								
Special commission rate swaps	**3,548,151**	**(3,267,680)**	**171,757,919**	**7,614,394**	**29,226,833**	**69,031,218**	**65,885,474**	**117,545,921**
Forward foreign exchange contracts	**43,061**	**(30,639)**	**9,623,318**	**8,077,181**	**1,456,137**	**90,000**	**-**	**23,415,971**
Currency options	**557**	**(1,078)**	**76,083**	**47,442**	**28,641**	**-**	**-**	**34,309**
Commodity swaps	**32,910**	**(30,894)**	**1,385,482**	**752,978**	**632,504**	**-**	**-**	**1,385,482**
Held as fair value hedges:								
Special commission rate swaps	**43,451**	**-**	**1,592,797**	**-**	**-**	**1,592,797**	**-**	**1,592,797**
Held as cash flow hedges:								
Special commission rate swaps	**-**	**(98,284)**	**1,375,000**	**-**	**-**	**1,375,000**	**-**	**1,375,000**
Total	**3,668,130**	**(3,428,575)**	**185,810,599**	**16,491,995**	**31,344,115**	**72,089,015**	**65,885,474**	

				Notional amounts by term to maturity				
2022 SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	2,796,918	(2,638,063)	92,709,388	-	3,559,939	33,658,281	55,491,168	74,107,729
Forward foreign exchange contracts	165,318	(68,193)	45,903,516	30,473,202	14,329,425	1,100,889	-	33,550,649
Currency options	229	(2,105)	157,019	-	145,358	11,661	-	112,428
Commodity swaps	18,323	(17,281)	1,210,279	855,163	355,116	-	-	1,210,279
Held as fair value hedges:								
Special commission rate swaps	564,842	-	5,813,868	-	-	333,852	5,480,016	5,813,868
Held as cash flow hedges:								
Special commission rate swaps	245,211	(128,643)	5,258,049	-	-	-	5,258,049	5,258,050
Total	3,790,841	(2,854,285)	151,052,119	31,328,365	18,389,838	35,104,683	66,229,233	

Derivatives include non-conventional banking products of SAR 21.7 billion as at December 31, 2023 (December 31, 2022: SAR 10.16 billion)

6. DERIVATIVES (continued)

Cash flow hedges

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Below is the schedule indicating as at December 31, 2023 and 2022, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2023 **SAR 000s**	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Cash inflows (assets)	**86,381**	**142,926**	**-**	**-**
Total	**86,381**	**142,926**	**-**	**-**

2022 SAR 000s	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	177,293	354,585	318,835	139,979
Total	177,293	354,585	318,835	139,979

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2023 and 2022.

2023 **SAR '000** **Description of hedged items**	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Fixed commission rate investments	**794,332**	**818,262**	**Fair value**	**Special commission rate swaps**	**23,930**	**-**
Fixed commission rate loans	**779,276**	**798,797**	**Fair value**	**Special commission rate swaps**	**19,521**	**-**
Floating rate securities	**1,276,716**	**1,375,000**	**Cash flow**	**Special commission rate swaps**	**-**	**(98,284)**

2022 SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed commission rate investments	4,473,105	5,006,101	Fair value	Special commission rate swaps	532,996	-
Fixed commission rate loans	775,921	807,766	Fair value	Special commission rate swaps	31,846	-
Floating commission rate liablities	4,128,261	3,883,050	Cash flow	Special commission rate swaps	245,211	-
Floating rate securities	1,246,357	1,375,000	Cash flow	Special commission rate swaps	-	(128,643)

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

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC interest rate derivatives contracts for G4 currencies are cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of initial and variation margins to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

a) Investments by type of securities

i) Investment at FVIS

SAR'000	Domestic		International		Total	
	2023	2022	**2023**	2022	**2023**	2022
Mutual funds	**2,322,845**	1,363,419	**-**	-	**2,322,845**	1,363,419
Total	**2,322,845**	1,363,419	**-**	-	**2,322,845**	1,363,419

ii) Investment at amortised cost, net

SAR'000	Domestic		International		Total	
	2023	2022	**2023**	2022	**2023**	2022
Fixed rate securities	**31,805,451**	30,172,615	**103,926**	467,889	**31,909,377**	30,640,504
Floating rate securities	**2,708,827**	2,726,455	**-**	-	**2,708,827**	2,726,455
Total	**34,514,278**	32,899,070	**103,926**	467,889	**34,618,204**	33,366,959

iii) Investments at FVOCI

SAR'000	Domestic		International		Total	
	2023	2022	**2023**	2022	**2023**	2022
Fixed rate securities	**-**	-	**19,534,543**	16,047,992	**19,534,543**	16,047,992
Floating rate securities	**-**	-	**2,453**	-	**2,453**	-
Equities (refer 7c)	**563,340**	505,758	**1,067,439**	911,992	**1,630,779**	1,417,750
Total	**563,340**	505,758	**20,604,435**	16,959,984	**21,167,775**	17,465,742
Investments, net	**37,400,463**	34,768,247	**20,708,361**	17,427,873	**58,108,824**	52,196,120

Above investments include sukuks amounting to SAR 23.98 billion (2022: SAR 25.81 billion).

International investments above includes investment portfolios of SAR 2.1 billion (2022: SAR 1.9 billion) which are externally managed.

7. INVESTMENTS, NET (continued)

b) **An analysis of changes in loss allowance is as follows:**

Debt instruments carried at amortised cost

(SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**4,022**	**1,407**	**-**	**5,429**
Transfer from Stage 2 & Stage 3 to Stage 1	**-**	**-**	**-**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**-**	**-**	**-**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Other movements*	**(2,253)**	**(343)**	**-**	**(2,596)**
Balance as at December 31, 2023	**1,769**	**1,064**	**-**	**2,833**
Balance at January 1, 2022	2,168	3,449	-	5,617
Transfer from Stage 2 & Stage 3 to Stage 1	2,701	(2,701)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(365)	365	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Other movements*	(482)	294	-	(188)
Balance as at December 31, 2022	4,022	1,407	-	5,429

Debt instruments carried at FVOCI

(SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**18,600**	**45,527**	**310,040**	**374,167**
Transfer from Stage 2 & Stage 3 to Stage 1	**2,755**	**(2,755)**	**-**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(1,064)**	**1,064**	**-**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(21)**	**(1,439)**	**1,460**	**-**
Other movements*	**17,928**	**34,688**	**46,204**	**98,820**
Balance as at December 31, 2023	**38,198**	**77,085**	**357,704**	**472,987**
Balance at January 1, 2022	38,098	35,702	38,937	112,737
Transfer from Stage 2 & Stage 3 to Stage 1	18,240	(3,669)	(14,571)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(5,928)	11,342	(5,414)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(3,351)	(12,959)	16,310	-
Other movements*	(28,459)	15,111	274,778	261,430
Balance as at December 31, 2022	18,600	45,527	310,040	374,167

* Includes remeasurement

7. INVESTMENTS, NET

c) Equity securities designated at FVOCI

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	Fair value as at December 31, 2023	Fair value as at December 31, 2022	**Dividend income recognised during 2023**	Dividend income recognised during 2022
	SAR'000	SAR'000	**SAR'000**	SAR'000
Saudi Exchange(Tadawul) listed equities	**75,756**	84,478	**23,308**	65,599
Other Saudi equities	**487,584**	421,280	**5,080**	-
Foreign equities	**1,067,439**	911,992	**117**	543
Total	**1,630,779**	1,417,750	**28,505**	66,142

During 2022, the Group sold shares in Saudi Exchange(Tadawul) listed equities having a fair value of SAR 2,918.4 million and the gain amounting to SAR 1,012.3 million was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio. Other equities loss during 2022 amounted to SAR 117 million.

7. INVESTMENTS, NET (continued)

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

i) Investment at FVIS

	2023			2022		
SAR '000	**Quoted**	**Unquoted**	**Total**	Quoted	Unquoted	Total
Mutual funds	**2,322,845**	**-**	**2,322,845**	1,363,419	-	1,363,419
Total	**2,322,845**	**-**	**2,322,845**	1,363,419	-	1,363,419

ii) Investment at amortised cost, net

	2023			2022		
SAR '000	**Quoted**	**Unquoted***	**Total**	Quoted	Unquoted*	Total
Fixed rate securities	**26,755,758**	**5,153,619**	**31,909,377**	16,234,149	14,406,355	30,640,504
Floating rate securities	**1,384,358**	**1,324,469**	**2,708,827**	1,382,653	1,343,802	2,726,455
Total	**28,140,116**	**6,478,088**	**34,618,204**	17,616,802	15,750,157	33,366,959

iii) Investments at FVOCI

	2023			2022		
SAR '000	**Quoted**	**Unquoted***	**Total**	Quoted	Unquoted*	Total
Fixed rate securities	**19,534,543**	**-**	**19,534,543**	16,047,992	-	16,047,992
Floating rate securities	**2,453**	**-**	**2,453**	-	-	-
Equities	**950,012**	**680,767**	**1,630,779**	863,174	554,576	1,417,750
Total	**20,487,008**	**680,767**	**21,167,775**	16,911,166	554,576	17,465,742
Investments, net	**50,949,969**	**7,158,855**	**58,108,824**	35,891,387	16,304,733	52,196,120

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 4.3 billion (2022: SAR 13.6 billion).

e) The analysis of investments by counter-party is as follows:

	2023	2022
	SAR '000	SAR '000
Government and quasi Government	**35,240,908**	32,616,001
Corporate	**16,955,034**	15,553,709
Banks and other financial institutions	**5,912,882**	4,026,410
Total	**58,108,824**	52,196,120

Investments include SAR 12,678 million (2022: SAR 9,025 million), which have been pledged under repurchase agreements with banks (note 20 d). The market value of such investments is SAR 11,069 million (2022: SAR 6,900 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2023 **SAR'000**	**Overdrafts**	**Credit cards**	**Consumer loans***	**Commercial loans**	**Others**	**Total**
Performing loans and advances	**5,691,257**	**1,472,583**	**93,839,733**	**173,079,952**	**1,773,222**	**275,856,747**
Non-performing loans and advances	**106,444**	**46,201**	**1,194,271**	**2,115,084**	**1,818**	**3,463,818**
Total loans and advances	**5,797,701**	**1,518,784**	**95,034,004**	**175,195,036**	**1,775,040**	**279,320,565**
Allowance for impairment/ ECL	**(169,251)**	**(53,612)**	**(1,074,734)**	**(3,622,932)**	**(1,790)**	**(4,922,319)**
Total	**5,628,450**	**1,465,172**	**93,959,270**	**171,572,104**	**1,773,250**	**274,398,246**

2022 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	4,192,438	1,133,417	84,958,190	151,766,818	824,920	242,875,783
Non-performing loans and advances	238,237	46,259	1,264,370	2,690,618	4,478	4,243,962
Total loans and advances	4,430,675	1,179,676	86,222,560	154,457,436	829,398	247,119,745
Allowance for impairment/ ECL	(179,927)	(60,018)	(986,072)	(3,526,098)	(2,683)	(4,754,798)
Total	4,250,748	1,119,658	85,236,488	150,931,338	826,715	242,364,947

Loans and advances, net, include non-conventional banking products of SAR 188.5 billion (2022: SAR 168.9 billion). As at December 2023, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 136.0 billion (2022: SAR 122.0 billion), Ijarah amounting to SAR 21.3 billion (2022: SAR 20.6 billion) and Murabaha amounting to SAR 30.7 billion (2022: SAR 27.2 billion) and the expected credit loss allowance on the portfolio was SAR 3.4 billion (2022: SAR 3.3 billion). During 2023, the special commission income on the portfolio amounted to SAR 11.3 billion (2022: SAR 7.6 billion).

* Includes consumer mortgage loans

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances (SAR'000)

	Stage 1 **12-month ECL**	**Stage 2** **lifetime ECL - not credit impaired**	**Stage 3** **lifetime ECL - credit impaired**	**Total**
Balance at January 1, 2023	**528,970**	**1,549,537**	**2,676,291**	**4,754,798**
Transfer from Stage 2 & Stage 3 to Stage 1	**226,560**	**(106,855)**	**(119,705)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(10,245)**	**38,021**	**(27,776)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(5,688)**	**(46,977)**	**52,665**	**-**
Other movements*	**71,804**	**651,950**	**1,135,726**	**1,859,480**
Charge-off and write-offs	**-**	**-**	**(1,691,959)**	**(1,691,959)**
Balance as at December 31, 2023	**811,401**	**2,085,676**	**2,025,242**	**4,922,319**
Balance at January 1, 2022	628,944	1,472,072	2,413,141	4,514,157
Transfer from Stage 2 & Stage 3 to Stage 1	104,352	(52,543)	(51,809)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(11,201)	69,782	(58,581)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(7,701)	(37,289)	44,990	-
Other movements*	(185,424)	97,515	1,451,155	1,363,246
Charge-off and write-offs	-	-	(1,122,605)	(1,122,605)
Balance as at December 31, 2022	528,970	1,549,537	2,676,291	4,754,798

*Includes remeasurement

8. LOANS AND ADVANCES, NET (continued)

b) An analysis of changes in loss allowance for loans and advances (continued)

ECL on credit cards (SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**21,938**	**9,762**	**28,318**	**60,018**
Transfer from Stage 2 & Stage 3 to Stage 1	**9,578**	**(3,171)**	**(6,407)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(498)**	**1,321**	**(823)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(364)**	**(841)**	**1,205**	**-**
Other movements*	**(14,752)**	**3,760**	**65,313**	**54,321**
Write-offs	**-**	**-**	**(60,727)**	**(60,727)**
Balance as at December 31, 2023	**15,902**	**10,831**	**26,879**	**53,612**
Balance at January 1, 2022	7,253	4,647	13,579	25,479
Transfer from Stage 2 & Stage 3 to Stage 1	2,847	(1,202)	(1,645)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(65)	110	(45)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(54)	(49)	103	-
Other movements*	11,957	6,256	44,494	62,707
Write-offs	-	-	(28,168)	(28,168)
Balance as at December 31, 2022	21,938	9,762	28,318	60,018

ECL on consumer loans(SAR'000)**

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**244,610**	**87,198**	**654,264**	**986,072**
Transfer from Stage 2 & Stage 3 to Stage 1	**148,355**	**(37,992)**	**(110,363)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(4,096)**	**25,058**	**(20,962)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(3,249)**	**(14,640)**	**17,889**	**-**
Other movements*	**(91,007)**	**107,198**	**320,473**	**336,664**
Write-offs	**-**	**-**	**(248,002)**	**(248,002)**
Balance as at December 31, 2023	**294,613**	**166,822**	**613,299**	**1,074,734**
Balance at January 1, 2022	250,762	107,073	467,454	825,289
Transfer from Stage 2 & Stage 3 to Stage 1	95,641	(45,477)	(50,164)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,531)	17,019	(14,488)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,252)	(19,808)	21,060	-
Other movements*	(98,010)	28,391	405,904	336,285
Write-offs	-	-	(175,502)	(175,502)
Balance as at December 31, 2022	244,610	87,198	654,264	986,072

*Includes remeasurement

**Includes consumer mortgage loans

8. LOANS AND ADVANCES, NET (continued)

b) An analysis of changes in loss allowance for loans and advances (continued)

ECL on Commercial loans*** (SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**262,422**	**1,452,577**	**1,993,709**	**3,708,708**
Transfer from Stage 2 & Stage 3 to Stage 1	**68,627**	**(65,692)**	**(2,935)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(5,651)**	**11,642**	**(5,991)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(2,075)**	**(31,496)**	**33,571**	**-**
Other movements*	**177,563**	**540,992**	**749,940**	**1,468,495**
Write-offs	**-**	**-**	**(1,383,230)**	**(1,383,230)**
Balance as at December 31, 2023	**500,886**	**1,908,023**	**1,385,064**	**3,793,973**
Balance at January 1, 2022	370,929	1,360,352	1,932,108	3,663,389
Transfer from Stage 2 & Stage 3 to Stage 1	5,864	(5,864)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(8,605)	52,653	(44,048)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(6,395)	(17,432)	23,827	-
Other movements*	(99,371)	62,868	1,000,757	964,254
Write-offs	-	-	(918,935)	(918,935)
Balance as at December 31, 2022	262,422	1,452,577	1,993,709	3,708,708

*Includes remeasurement

***Includes overdrafts and others

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances

Total loans and advances (SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**228,278,751**	**13,914,977**	**4,926,017**	**247,119,745**
Transfer from Stage 2 & Stage 3 to Stage 1	**2,333,621**	**(2,007,821)**	**(325,800)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(3,380,522)**	**3,459,527**	**(79,005)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(871,252)**	**(794,012)**	**1,665,264**	**-**
Net other movements*	**32,495,943**	**1,558,688**	**151,014**	**34,205,645**
Write-off	**-**	**-**	**(2,004,825)**	**(2,004,825)**
Balance as at December 31, 2023	**258,856,541**	**16,131,359**	**4,332,665**	**279,320,565**
Balance at January 1, 2022	204,058,833	13,441,444	4,304,115	221,804,392
Transfer from Stage 2 & Stage 3 to Stage 1	1,535,196	(1,394,820)	(140,376)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,153,875)	2,282,456	(128,581)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,101,601)	(549,912)	1,651,513	-
Net other movements*	25,940,198	135,809	580,356	26,656,363
Write-offs	-	-	(1,341,010)	(1,341,010)
Balance as at December 31, 2022	228,278,751	13,914,977	4,926,017	247,119,745

Credit cards (SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**1,051,829**	**81,588**	**46,259**	**1,179,676**
Transfer from Stage 2 & Stage 3 to Stage 1	**39,725**	**(32,719)**	**(7,006)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(30,801)**	**32,482**	**(1,681)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(20,508)**	**(7,628)**	**28,136**	**-**
Net other movements*	**362,131**	**(3,516)**	**75,051**	**433,666**
Write offs	**-**	**-**	**(94,558)**	**(94,558)**
Balance as at December 31, 2023	**1,402,376**	**70,207**	**46,201**	**1,518,784**
Balance at January 1, 2022	777,176	46,450	29,989	853,615
Transfer from Stage 2 & Stage 3 to Stage 1	27,826	(20,196)	(7,630)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(7,097)	7,310	(213)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(4,694)	(947)	5,641	-
Net other movements*	258,618	48,971	79,459	387,048
Write-offs	-	-	(60,987)	(60,987)
Balance as at December 31, 2022	1,051,829	81,588	46,259	1,179,676

*Includes new loans generated, loans repaid and other movements

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances (continued)

Consumer loans** (SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**83,250,523**	**1,707,667**	**1,264,370**	**86,222,560**
Transfer from Stage 2 & Stage 3 to Stage 1	**1,268,074**	**(956,944)**	**(311,130)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(821,876)**	**883,499**	**(61,623)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(435,568)**	**(191,261)**	**626,829**	**-**
Net other movements*	**9,129,484**	**6,135**	**202,862**	**9,338,481**
Write-off	**-**	**-**	**(527,037)**	**(527,037)**
Balance as at December 31, 2023	**92,390,637**	**1,449,096**	**1,194,271**	**95,034,004**
Balance at January 1, 2022	74,447,992	1,156,915	872,493	76,477,400
Transfer from Stage 2 & Stage 3 to Stage 1	702,907	(570,161)	(132,746)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(909,139)	949,491	(40,352)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(393,502)	(165,517)	559,019	-
Net other movements*	9,402,265	336,939	367,044	10,106,248
Write-off	-	-	(361,088)	(361,088)
Balance as at December 31, 2022	83,250,523	1,707,667	1,264,370	86,222,560

Commercial loans***(SAR'000)

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2023	**143,976,399**	**12,125,722**	**3,615,388**	**159,717,509**
Transfer from Stage 2 & Stage 3 to Stage 1	**1,025,822**	**(1,018,158)**	**(7,664)**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(2,527,845)**	**2,543,546**	**(15,701)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**(415,176)**	**(595,123)**	**1,010,299**	**-**
Net other movements*	**23,004,328**	**1,556,069**	**(126,899)**	**24,433,498**
Write-off	**-**	**-**	**(1,383,230)**	**(1,383,230)**
Balance as at December 31, 2023	**165,063,528**	**14,612,056**	**3,092,193**	**182,767,777**
Balance at January 1, 2022	128,833,665	12,238,079	3,401,633	144,473,377
Transfer from Stage 2 & Stage 3 to Stage 1	804,463	(804,463)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,237,639)	1,325,655	(88,016)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(703,405)	(383,448)	1,086,853	-
Net other movements*	16,279,315	(250,101)	133,853	16,163,067
Write-off	-	-	(918,935)	(918,935)
Balance as at December 31, 2022	143,976,399	12,125,722	3,615,388	159,717,509

*Includes new loans generated, loans repaid and other movements

**Includes consumer mortgage loans

***Includes overdrafts and others

8. LOANS AND ADVANCES, NET (continued)

d) Impairment charge for financing losses in the consolidated statement of income represents:

	2023	2022
	SAR'000	SAR'000
Charge for the year, net*	**2,338,140**	1,599,651
Recovery of written off loans and advances, net	**(504,147)**	(569,058)
Allowance for impairment, net (note 8 e)	**1,833,993**	1,030,593

* Includes net charge offs

e) Impairment charges for credit losses and other provisions, net as reflected in the consolidated statement of income are detailed as follows:

	2023	2022
	SAR'000	SAR'000
Impairment charge for credit losses, net (note 8 d)	**1,833,993**	1,030,593
Impairment charge (reversal) for other financial assets, net	**41,471**	(3,193)
Total	**1,875,464**	1,027,400

9. INVESTMENT IN ASSOCIATES

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

a) 48.46% (2022: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets.

Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2023 the total assets, liabilities and shareholders' equity amounted to SAR 1,699 million (September 30,2022: SAR 1,548 million), SAR 1,014 million (September 30,2022: SAR 882 million) and SAR 685.2 million (September 30,2022: SAR 666.8 million) respectively.

b) 19.9% (2022: 19.9%) direct share ownership, and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

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

SAR' 000	Land and buildings	Right of Use assets*	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
Cost						
Balance as at January 1, 2022	1,474,513	953,268	1,119,982	621,693	3,734,129	7,903,585
Additions/ re-measurement	194,301	290,098	89,200	95,545	628,295	1,297,439
Disposals	(760)	(259,973)	(10,900)	(18,206)	(120,686)	(410,525)
Balance as at December 31, 2022	**1,668,054**	**983,393**	**1,198,282**	**699,032**	**4,241,738**	**8,790,499**
Additions/ re-measurement	**1,543,524**	**199,531**	**256,695**	**112,076**	**834,963**	**2,946,789**
Disposals	**(17,584)**	**(148,937)**	**(11,682)**	**(2,684)**	**(9,375)**	**(190,262)**
Balance at December 31, 2023	**3,193,994**	**1,033,987**	**1,443,295**	**808,424**	**5,067,326**	**11,547,026**
Accumulated depreciation and amortisation						
Balance as at January 1, 2022	610,660	389,411	947,872	505,553	2,743,987	5,197,483
Charge for the year	19,802	192,687	47,991	26,793	253,259	540,532
Disposals	(2)	(141,820)	(10,865)	(8,629)	(94,855)	(256,171)
Balance as at December 31, 2022	**630,460**	**440,278**	**984,998**	**523,717**	**2,902,391**	**5,481,844**
Charge for the year	**10,994**	**197,497**	**63,744**	**49,365**	**373,756**	**695,356**
Disposals	**(3,355)**	**(89,888)**	**(52)**	**(2,610)**	**(1,516)**	**(97,421)**
Balance at December 31, 2023	**638,099**	**547,887**	**1,048,690**	**570,472**	**3,274,631**	**6,079,779**
Net book value						
As at January 1, 2022	863,853	563,857	172,110	116,140	990,142	2,706,102
As at December 31, 2022	1,037,594	543,115	213,284	175,315	1,339,347	3,308,655
As at December 31, 2023	**2,555,895**	**486,100**	**394,605**	**237,952**	**1,792,695**	**5,467,247**

Land and buildings include work in progress amounting to SAR 1,489 million as at December 31, 2023 (2022: SAR 28.9 million) and mainly pertains to the Bank's new office tower at King Abdullah Financial District, Riyadh, KSA.

Improvements and decoration of premises include work in progress amounting to SAR 133.2 million as at December 31, 2023 (2022: SAR 30.5 million), respectively.

*Comprises land and buildings and disposals include canceled or closed lease contracts.

The interest expense on lease liabilities during 2023 amounted to SAR 17.9 million (2022: SAR 19.2 million).

11. OTHER ASSETS

	2023 SAR'000	2022 SAR'000
Accounts receivable	**1,124,398**	817,863
Others	**1,422,722**	2,358,083
Total	**2,547,120**	3,175,946

Accounts receivable mainly include accrued fee and income

Others mainly include prepayments and sundry debtors,settlement accounts and items in transit amounting to SAR 1,327 million (2022: SAR 2,137 million), which are cleared in the normal course of business.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 SAR'000	2022 SAR'000
Current accounts	**2,125,426**	1,260,568
Money market deposits	**40,338,600**	37,499,500
Total	**42,464,026**	38,760,068

Money market deposits include deposits against sales of fixed rate bonds of SAR 11,838 million (2022: SAR 8,518 million) with agreement to repurchase the same at fixed future dates (note 20 d)). The profit free deposits from SAMA as under various COVID-19 support programs amount to SAR 11.2 billion (2022: SAR 19.9 billion) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 1,102 million (2022: SAR 348 million).

13. CUSTOMER DEPOSITS

	2023 SAR'000	2022 SAR'000
Demand	**119,606,683**	123,376,425
Saving	**1,400,147**	1,269,928
Time	**114,092,253**	96,102,144
Others	**19,808,541**	19,258,588
Total	**254,907,624**	240,007,085

Time deposits include non-conventional banking deposits of SAR 38,516 million (2022: SAR 32,559 million). Demand deposits also include non-conventional call deposits of SAR 2,858 million (2022: SAR 2,103 million). The special commission expense on the above non-conventional deposits for 2023 amounted to SAR 1,823 million (2022: SAR 628 million). Other customers' deposits include SAR 4,488 million (2022: SAR 3,780 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2023 SAR'000	2022 SAR'000
Demand	**3,931,049**	3,113,219
Saving	**18,359**	5,353
Time	**26,233,946**	9,472,597
Other	**560,349**	500,843
Total	**30,743,703**	13,092,012

14. DEBT SECURITIES IN ISSUE, TERM LOAN AND TIER 1 SUKUK

a) DEBT SECURITIES IN ISSUE AND TERM LOAN

During Q3 2023, in order to support business growth and diversify its funding base, the Bank raised an unsecured USD-denominated syndicated term loan of USD 1,200 million, at floating SOFR + margin of 85 bps (all in) for a period of 3 years.

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible Sukuk amounting to SAR 3 billion. The Sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

During February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum and are callable after 5 years, subject to the terms and conditions of the agreement.

b) TIER 1 SUKUK

During October 2022, the Bank successfully, by way of a private placement in the Kingdom of Saudi Arabia, issued through a Shariah compliant arrangement, SAR denominated additional tier 1 sukuk, amounting to SAR 3.75 billion. These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement. The applicable profit rate on the Sukuks is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions. The offering of the sukuk started on 8 September 2022 and was completed on 5 October 2022.

During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity.

The table below sets out movement in Debt securities in issue, term loan and Tier 1 Sukuk:

	Debt Securities in issue and Term Loan		Tier 1 Sukuk	
	2023	2022	**2023**	2022
	SAR'000	SAR'000	**SAR'000**	SAR'000
Opening balance	**8,758,419**	8,716,577	**6,571,125**	-
Cash flow items				
- Term loan	**4,600,352**	-	**-**	-
- Issuance	**-**	-	**-**	6,571,125
- Other movements	**13,851**	41,842	**(8,625)**	-
Closing balance	**13,372,622**	8,758,419	**6,562,500**	6,571,125

15. OTHER LIABILITIES

	2023	2022
	SAR'000	SAR'000
Accounts payable	**865,991**	507,864
Others*	**11,552,020**	12,591,787
Total	**12,418,011**	13,099,651

* Mainly include the below

	2023	2022
	SAR'000	SAR'000
Provision for zakat	**1,053,336**	1,355,218
End of service benefits	**998,003**	827,231
Lease liability	**451,184**	527,174
Deferred fair value gain on Government Grant	**62,179**	146,090
Loss allowance for credit related commitments and contingencies	**206,180**	206,944
Write-off reserves	**547,094**	586,319

Other product related insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business.

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2022: 3,000 million shares of SAR 10 each).

17. TREASURY SHARES

The Extraordinary General Assembly Meeting on 26 March 2023, approved the Employee Stock Incentive program for which five million shares were to be purchased as treasury shares for the purpose of allocating them to the Employee Stock Incentive Plan. The Bank has completed the above purchases during the current year and as at 31 December 2023, the Bank held five million treasury shares.

18. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 2,011 million has been transferred from 2023 net income (2022: SAR 1,755 million). The statutory reserve is not currently available for distribution.

19. OTHER RESERVES

2023 (SAR 000s)	**Cash flow hedge**	**Remeasurement of deferred plan**	**FVOCI debt**	**FVOCI equity**	**Total**
Balance at beginning of the year	**127,977**	**66,750**	**(1,512,524)**	**527,537**	**(790,260)**
Net change in fair value	**(13,118)**	**-**	**211,552**	**207,884**	**406,318**
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	**-**	**-**	**43,630**	**-**	**43,630**
Net ECL movement during the year	**-**	**-**	**98,820**	**-**	**98,820**
Actuarial losses	**-**	**(127,711)**	**-**	**-**	**(127,711)**
Net disposals during the year	**-**	**-**	**-**	**-**	**-**
Balance at end of the year	**114,859**	**(60,961)**	**(1,158,522)**	**735,421**	**(369,203)**

2022 (SAR 000s)	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	(21,635)	(134,353)	301,123	1,492,301	1,637,436
Net change in fair value	149,612	-	(1,988,932)	(69,264)	(1,908,584)
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(86,145)	-	(86,145)
Net ECL movement during the year	-	-	261,430	-	261,430
Actuarial gains	-	201,103	-	-	201,103
Net disposals during the year	-	-	-	(895,500)	(895,500)
Balance at end of the year	127,977	66,750	(1,512,524)	527,537	(790,260)

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2023, there were legal proceedings of a routine nature outstanding against the Group. No significant provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2023 the Bank had capital commitments of SAR 2,338.8 million (2022: SAR 3,180.7 million). This includes office building, computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee 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. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

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

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

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

2023 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**5,172,900**	**2,921,279**	**128,877**	**-**	**8,223,056**
Letters of guarantee *	**18,201,892**	**38,818,388**	**33,459,991**	**1,174,574**	**91,654,845**
Acceptances	**3,187,008**	**2,338,088**	**28,595**	**-**	**5,553,691**
Irrevocable commitments to extend credit	**2,532,247**	**1,987,761**	**9,079,180**	**10,607,090**	**24,206,278**
Total	**29,094,047**	**46,065,516**	**42,696,643**	**11,781,664**	**129,637,870**

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	5,764,535	2,791,221	123,674	-	8,679,430
Letters of guarantee *	17,159,329	31,382,900	27,295,343	1,322,304	77,159,876
Acceptances	2,795,382	849,462	-	-	3,644,844
Irrevocable commitments to extend credit	9,052,818	1,137,585	5,197,469	8,976,377	24,364,249
Total	34,772,064	36,161,168	32,616,486	10,298,681	113,848,399

* This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature .

The outstanding unused portion of non-firm commitments as at December 31, 2023 which can be revoked unilaterally at any time by the Group, amounts to SAR 160,263 million (2022: SAR 119,241 million).

ii) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

SAR'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2023	**24,463**	**17,364**	**165,117**	**206,944**
Transfer from Stage 2 & Stage 3 to Stage 1	**3,324**	**(3,324)**	**-**	**-**
Transfer from Stage 1 & Stage 3 to Stage 2	**(2,060)**	**2,356**	**(296)**	**-**
Transfer from Stage 1 & Stage 2 to Stage 3	**-**	**(9)**	**9**	**-**
Other movements	**25,037**	**(6,395)**	**26,865**	**45,507**
Transfer to write-off reserves	**-**	**-**	**(46,271)**	**(46,271)**
Balance as at December 31, 2023	**50,764**	**9,992**	**145,424**	**206,180**

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2022	38,779	19,975	197,384	256,138
Transfer from Stage 2 & Stage 3 to Stage 1	4,668	(4,668)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(571)	571	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2)	(477)	479	-
Other movements	(18,411)	1,963	17,327	879
Transfer to write-off reserves	-	-	(50,073)	(50,073)
Balance as at December 31, 2022	24,463	17,364	165,117	206,944

As at December 31, 2023, the balance in the write-off reserves amounted to SAR 547 million (December 31, 2022: SAR 586 million).

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

	2023	2022
	SAR'000	SAR'000
Government and quasi government	**125,000**	-
Corporate	**108,019,110**	94,473,682
Banks and other financial institutions	**21,493,760**	19,374,717
Total	**129,637,870**	113,848,399

d) Assets pledged

Assets pledged as collateral with other banks are as follows:

	2023		2022	
	Assets	**Related liabilities**	Assets	Related liabilities
	SAR million	**SAR million**	SAR million	SAR million
Investments held at amortised cost and FVOCI (note 7 e) and 12	**12,678**	**11,838**	9,025	8,518

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

21. SPECIAL COMMISSION INCOME AND EXPENSE

		2023	2022
Special commission income on:		**SAR'000**	SAR'000
Investments	- FVOCI	**922,467**	756,814
	- Amortised cost	**1,379,594**	956,711
		2,302,061	1,713,525
Due from banks and other financial institutions		**1,245,760**	634,376
Loans and advances		**17,058,294**	10,559,660
Total		**20,606,115**	12,907,561

	2023	2022
	SAR'000	SAR'000
Special commission expense on:		
Due to banks and other financial institutions	**1,095,646**	395,356
Customer deposits	**6,577,064**	2,173,745
Debt securities in issue and term loan	**519,127**	286,015
Total	**8,191,837**	2,855,116

22. FEE AND COMMISSION INCOME, NET

	2023	2022
	SAR'000	SAR'000
Fee and commission income on:		
- Share brokerage and fund management	**613,369**	749,949
- Trade finance	**789,933**	707,531
- Credit facilities and advisory	**1,007,781**	870,166
- Card products	**1,056,196**	927,243
- Other banking services	**263,517**	304,182
Total fee and commission income	**3,730,796**	3,559,071
Fee and commission expense on:		
- Card products	**961,219**	754,143
- Share brokerage	**76,236**	97,528
- Other banking services	**308,720**	278,733
Total fee and commission expense	**1,346,175**	1,130,404
Fee and commission income, net	**2,384,621**	2,428,667

23. TRADING INCOME, NET

	2023 SAR'000	2022 SAR'000
Derivatives	**352,795**	180,851
Investment at FVIS	**67,149**	38,178
Total	**419,944**	219,029

24. (LOSSES)/ GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2023 SAR'000	2022 SAR'000
FVOCI	**(43,630)**	86,145
Amortised Cost	**-**	35,630
Total	**(43,630)**	121,775

25. OTHER OPERATING INCOME

Other operating income mainly includes gain on disposals of property and equipment and real estate portfolio amounting to SAR 20.6 million (2022: SAR 21.3 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 23.9 million (2022: SAR 18.6 million).

26. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2023 and 2022, and the forms of such payments.

Categories SAR 000	Number of employees 2023	Number of employees 2022	Fixed compensation 2023	Fixed compensation 2022	Variable compensation 2023	Variable compensation 2022	Total compensation 2023	Total compensation 2022
Senior executives requiring SAMA no objection	**12**	12	**27,312**	28,322	**36,330**	41,836	**63,642**	70,158
Employees engaged in risk taking activities	**425**	362	**170,915**	151,204	**71,236**	69,201	**242,151**	220,405
Employees engaged in control functions	**328**	263	**108,472**	95,687	**26,783**	25,749	**135,255**	121,436
Outsourced employees	**1,626**	1,200	**107,201**	54,726	**-**	-	**107,201**	54,726
Other employees	**5,496**	4,957	**1,231,510**	1,141,577	**235,568**	212,387	**1,467,078**	1,353,964
Total	**7,887**	6,794	**1,645,410**	1,471,516	**369,917**	349,173	**2,015,327**	1,820,689

	2023	2022
Variable compensation accrued during the year and other employee related benefits*	**896,754**	785,989
Total salaries and employee-related expenses as per consolidated statement of income	**2,542,164**	2,257,505

*Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

The Group's compensation policy is based on the nature of the job, market practices and jobholder's level of involvement in risk taking and controlling activities. The policy applies to all employees, including the executive management team and aims to link individual performance to the Group's overall achievements and financial soundness and results. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are calculated based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

26. SALARIES AND EMPLOYEE-RELATED EXPENSES (continued)

The Board of Directors has the responsibility to approve and oversee the Group's compensation policies. The Board Nomination and Compensation Committee (NCC) is composed of five non-executive Directors (comprising of three Board Director members and two independent external members) and is charged with overseeing the compensation system design and its effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee (NCC) is accountable for reviewing and endorsing for Board of Directors approval for the Group's compensation policies as well as undertaking its periodic assessment and ensuring updating the policies to achieve the system objectives and reinforce the Group's risk management framework. Fixed compensation comprises of salaries, wages and fixed allowances. Variable compensation includes performance bonuses, and products' sales incentives. That's in addition to other benefits offered in line with prevailing and best practices as well as relevant regulations.

The Group has adopted fixed and variable compensation schemes. Where a substantial proportion of the variable remuneration for senior management team and material risk takers is converted to non-cash instruments, to which is deferred and vested as per SAMA remuneration rules, and is aligned with the jobholder's level of responsibility, Group and individual performance, business unit in which they work, and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against industry norms, international best practice, relevant rules and regulations, and makes necessary revisions as deemed appropriate to achieve an orderly and effective compensation policy.

27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	SAR'000	SAR'000
Communication, cash shipment and insurance	**360,247**	402,246
Rental and repair and maintenance	**427,122**	333,709
Publication, advertisement and stationary	**104,894**	126,437
Miscellaneous Exp.	**489,174**	392,905
Consultancy, audit and professional services	**82,081**	81,011
Total	**1,463,518**	1,336,308

Consultancy, audit and professional services above comprises the below:

	2023	2022
	SAR'000	SAR'000
Fee for audit and reviews	**7,119**	6,626
Other services	**1,238**	1,248
	8,357	7,874

28. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2023 is calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the year by weighted average number of shares outstanding after excluding five million treasury shares.

Basic and diluted earnings per share for the year ended December 31, 2022 are calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the year by 3,000 million outstanding shares.

29. DIVIDENDS

During July 2023, interim dividends of SAR 1,948 million at SAR 0.65 per share (2022: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank and the distribution date for the dividend was 7 August 2023. Final dividends of SAR 1,950 million at SAR 0.65 per share was proposed for 2022.

30. ZAKAT

The Bank has estimated provision for zakat liability for the year ended December 31, 2023 at SAR 925 million (December 31, 2022: SAR 809 million).

The zakat paid during year-ended December 31, 2023 amounted to SAR 1,282 million (December 31, 2022: SAR 1,168 million).

31. DEFINED BENEFIT PLAN

a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

b) The movement in the obligation during the year based on its present value are as follows:

	2023	2022
	SAR'000	SAR'000
Defined benefit obligation at the beginning of the year	**827,231**	998,396
Current service cost	**79,521**	94,962
Interest cost	**44,254**	27,592
Benefits paid	**(80,714)**	(92,616)
Actuarial losses (gains) recognised in other comprehensive income	**127,711**	(201,103)
Defined benefit obligation at the end of the year	**998,003**	827,231

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

c) Charge for the year

	2023	2022
	SAR'000	SAR'000
Current service cost	**79,521**	94,962
Interest on defined benefit obligations	**44,254**	27,592
	123,775	122,554

31. DEFINED BENEFIT PLAN (continued)

d) Re-measurement recognised in Other comprehensive income

	2023 SAR'000	2022 SAR'000
Losses (gains) from change in experience assumptions	7,269	(29,791)
Losses due to change in demographic assumptions	149	6,099
Losses (gains) from change in financial assumptions	120,293	(177,411)
	127,711	(201,103)

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate per annum	5.5%	5.4%
Expected rate of salary increase per annum	6.0%	4.0%
Normal retirement age	60	60

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

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2023 and 2022 to the discount rate of 5.5% (2022: 5.4%) and salary escalation rate 6% (2022: 4.0%).

		Impact on defined benefit obligation increase / (decrease)	
2023	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
		SAR'000	**SAR'000**
Discount rate	**0.50%**	**(36,671)**	**39,161**
Expected rate of salary increase	**0.50%**	**38,167**	**(36,095)**
2022			
		SAR'000	SAR'000
Discount rate	0.50%	(25,780)	30,591
Expected rate of salary increase	0.50%	30,843	(26,261)

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

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

32. CASH AND CASH EQUIVALENTS

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

	2023 SAR'000	2022 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	12,856,855	20,872,849
Due from banks and other financial institutions maturing within three months from the date of acquisition	15,433,725	20,613,232
Total	**28,290,580**	41,486,081

33. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

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

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.

Treasury and investments

Principally providing money market, trading and treasury services, derivative products as well as the management of the Group's investment portfolios.

33. OPERATING SEGMENTS (continued)

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2023 SAR'000	**Retail banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Total assets	**111,613,711**	**3,537,631**	**186,404,774**	**85,292,813**	**386,848,929**
Total liabilities	**111,192,401**	**444,105**	**172,290,863**	**42,663,489**	**326,590,858**
Operating income from external customers	**3,878,589**	**679,203**	**8,262,690**	**3,078,356**	**15,898,838**
Inter segment income (expenses)	**242,981**	**195,071**	**130,150**	**(568,202)**	**-**
Total operating income, net including	**4,121,570**	**874,274**	**8,392,840**	**2,510,154**	**15,898,838**
- Net special commission income	**4,032,027**	**261,540**	**6,608,247**	**1,512,464**	**12,414,278**
- Fee and commission income, net	**141,524**	**536,963**	**1,689,601**	**16,533**	**2,384,621**
Total operating expenses, net including	**3,507,941**	**291,683**	**2,832,532**	**308,156**	**6,940,312**
- Depreciation of property, equipment and right of use assets	**482,505**	**35,474**	**149,595**	**27,782**	**695,356**
- Impairment charge for credit losses and other financial assets, net	**393,769**	**-**	**1,478,113**	**3,582**	**1,875,464**
- Impairment charge for investments, net	**-**	**-**	**-**	**96,224**	**96,224**
Share in income of associates, net	**-**	**-**	**-**	**12,273**	**12,273**
Income before zakat	**613,629**	**582,591**	**5,560,308**	**2,214,271**	**8,970,799**

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	101,338,841	4,510,650	161,774,450	92,028,916	359,652,857
Total liabilities	102,150,060	786,276	174,279,250	26,263,922	303,479,508
Operating income from external customers	4,028,091	805,771	6,014,584	2,750,920	13,599,366
Inter segment income (expenses)	126,879	221,069	347,235	(695,183)	-
Total operating income, net including	4,154,970	1,026,840	6,361,819	2,055,737	13,599,366
- Net special commission income	4,019,973	245,975	4,783,428	1,003,069	10,052,445
- Fee and commission income, net	170,802	732,009	1,509,365	16,491	2,428,667
Total operating expenses, net including	3,158,601	287,302	1,850,789	394,000	5,690,692
- Depreciation of property, equipment and right of use assets	392,864	30,873	90,912	25,883	540,532
- Impairment charge for credit losses and other financial assets, net	295,215	-	734,046	(1,861)	1,027,400
- Impairment charge for investments, net	-	-	-	253,115	253,115
Share in losses of associates, net	-	-	-	(80,238)	(80,238)
Income before zakat	996,369	739,538	4,511,030	1,581,499	7,828,436

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

2023 SAR'000	**Retail banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Consolidated statement of financial position assets	**107,067,858**	**2,025,443**	**185,072,327**	**84,534,866**	**378,700,494**
Commitments and contingencies	**-**	**-**	**73,845,472**	**-**	**73,845,472**
Derivatives	**-**	**-**	**-**	**13,174,537**	**13,174,537**

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	98,541,244	3,071,832	160,928,028	91,548,882	354,089,986
Commitments and contingencies	-	-	67,701,341	-	67,701,341
Derivatives	-	-	-	7,229,062	7,229,062

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property, equipment and right of use assets, net and other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

34. FINANCIAL RISK MANAGEMENT

34.1 CREDIT RISK

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by deploying various credit risk management techniques and processes, such as, application Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

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

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 34.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 e). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 20. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 33.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 39.

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 GEOGRAPHICAL CONCENTRATION

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

2023 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	26,175,219	-	7	-	-	-	-	26,175,226
Cash in hand	3,450,441	-	7	-	-	-	-	3,450,448
Balances with SAMA	22,724,778							22,724,778
Due from banks and other financial institutions	7,824,426	531,222	1,223,621	5,348,631	-	38,887	466,938	15,433,725
Current accounts	1,491,778	6,065	8,616	4,931,277	-	20,199	1,614	6,459,549
Money market placements	6,332,648	525,157	1,215,005	417,354	-	18,688	465,324	8,974,176
Positive fair value of derivatives	1,392,598	13,052	2,262,480	-	-	-	-	3,668,130
Investments, net	37,400,463	1,554,114	4,267,860	10,256,758	999,091	546,447	3,084,091	58,108,824
FVIS	2,322,845	-	-	-	-	-	-	2,322,845
FVOCI	563,340	1,450,188	4,267,860	10,256,758	999,091	546,447	3,084,091	21,167,775
Amortised cost	34,514,278	103,926	-	-	-	-	-	34,618,204
Investment in associates	379,941	-	-	-	-	-	-	379,941
Loans and advances, net	262,795,045	6,871,806	4,292,087	18,222	333,236	61,499	26,351	274,398,246
Overdraft	5,628,450	-	-	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	-	-	1,465,172
Consumer loans	93,959,270	-	-	-	-	-	-	93,959,270
Commercial loans	159,968,903	6,871,806	4,292,087	18,222	333,236	61,499	26,351	171,572,104
Others	1,773,250	-	-	-	-	-	-	1,773,250
Other assets	2,547,120	-	-	-	-	-	-	2,547,120
Accounts receivable and others	2,547,120	-	-	-	-	-	-	2,547,120
Total	338,514,812	8,970,194	12,046,055	15,623,611	1,332,327	646,833	3,577,380	380,711,212
Liabilities								
Due to banks and other financial institutions	21,551,320	8,020,987	11,835,073	493,178	-	19,692	543,776	42,464,026
Current accounts	492	349,871	1,203,325	31,698	-	19,692	520,348	2,125,426
Money market deposits	21,550,828	7,671,116	10,631,748	461,480	-	-	23,428	40,338,600
Negative fair value of derivatives	1,338,400	140,489	1,735,286	214,400				3,428,575
Customer deposits	254,320,752	-	586,872	-	-	-	-	254,907,624
Demand	119,537,833	-	68,850	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	-	-	1,400,147
Time	113,574,231	-	518,022	-	-	-	-	114,092,253
Other	19,808,541	-	-	-	-	-	-	19,808,541
Debt securities in issue and term loan	13,372,622	-	-	-	-	-	-	13,372,622
Other liabilities	12,362,700	-	28,870	26,274	-	167	-	12,418,011
Accounts payable and others	12,362,700	-	28,870	26,274	-	167	-	12,418,011
Total	302,945,794	8,161,476	14,186,101	733,852	-	19,859	543,776	326,590,858

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 GEOGRAPHICAL CONCENTRATION (continued)

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

2023 SAR'000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**North America**	**Latin America**	**South East Asia**	**Other countries**	**Total**
Commitments and contingencies	**98,811,651**	**1,113,493**	**8,390,745**	**13,564,558**	**-**	**7,744,703**	**12,720**	**129,637,870**
Letters of credit	**8,205,631**	**3,377**	**-**	**-**	**-**	**14,048**	**-**	**8,223,056**
Letters of guarantee	**65,558,284**	**530,102**	**8,354,745**	**9,470,760**	**-**	**7,730,655**	**10,299**	**91,654,845**
Acceptances	**5,546,334**	**4,936**	**-**	**-**	**-**	**-**	**2,421**	**5,553,691**
Irrevocable commitments to extend credit	**19,501,402**	**575,078**	**36,000**	**4,093,798**	**-**	**-**	**-**	**24,206,278**
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	**5,638,941**	**190,416**	**7,345,180**	**-**	**-**	**-**	**-**	**13,174,537**
Held for trading	**5,638,941**	**190,416**	**7,157,237**	**-**	**-**	**-**	**-**	**12,986,594**
Held as fair value hedges	**-**	**-**	**119,193**	**-**	**-**	**-**	**-**	**119,193**
Held as cash flow hedges	**-**	**-**	**68,750**	**-**	**-**	**-**	**-**	**68,750**
Commitments and contingencies	**56,222,471**	**555,808**	**5,049,211**	**7,344,873**	**-**	**4,664,482**	**8,627**	**73,845,472**
Letters of credit	**3,368,256**	**1,386**	**-**	**-**	**-**	**5,766**	**-**	**3,375,408**
Letters of guarantee	**39,507,320**	**319,455**	**5,034,811**	**5,707,354**	**-**	**4,658,716**	**6,206**	**55,233,862**
Acceptances	**5,546,334**	**4,936**	**-**	**-**	**-**	**-**	**2,421**	**5,553,691**
Irrevocable commitments to extend credit	**7,800,561**	**230,031**	**14,400**	**1,637,519**	**-**	**-**	**-**	**9,682,511**

2022 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	33,366,645	-	7	-	-	-	-	33,366,652
Cash in hand	4,197,492	-	7	-	-	-	-	4,197,499
Balances with SAMA	29,169,153	-	-	-	-	-	-	29,169,153
Due from banks and other financial institutions	10,514,247	497,994	2,358,785	5,733,105	-	1,193,893	315,208	20,613,232
Current accounts	1,168,911	7,119	101	5,335,223	-	23,303	6,586	6,541,243
Money market placements	9,345,336	490,875	2,358,684	397,882	-	1,170,590	308,622	14,071,989
Positive fair value of derivatives	791,820	50,872	2,948,149	-	-	-	-	3,790,841
Investments, net	34,768,247	1,449,164	3,338,676	8,004,881	961,615	470,148	3,203,389	52,196,120
FVIS	1,363,419	-	-	-	-	-	-	1,363,419
FVOCI	505,758	1,344,331	3,338,676	7,641,825	961,615	470,148	3,203,389	17,465,742
Amortised cost	32,899,070	104,833	-	363,056	-	-	-	33,366,959
Investment in associates	371,215	-	-	-	-	-	-	371,215
Loans and advances, net	231,306,659	5,546,444	4,716,933	794,676	-	-	235	242,364,947
Overdraft	4,250,748	-	-	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	-	-	1,119,658
Consumer loans	85,236,488	-	-	-	-	-	-	85,236,488
Commercial loans	139,873,050	5,546,444	4,716,933	794,676	-	-	235	150,931,338
Others	826,715	-	-	-	-	-	-	826,715
Other assets	3,175,946	-	-	-	-	-	-	3,175,946
Accounts receivable and others	3,175,946	-	-	-	-	-	-	3,175,946
Total	314,294,779	7,544,474	13,362,550	14,532,662	961,615	1,664,041	3,518,832	355,878,953

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 GEOGRAPHICAL CONCENTRATION (continued)

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

2022 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	24,380,837	8,301,048	5,819,887	147,281	-	23,495	87,520	38,760,068
Current accounts	108	405,051	707,480	65,501	-	23,495	58,933	1,260,568
Money market deposits	24,380,729	7,895,997	5,112,407	81,780	-	-	28,587	37,499,500
Negative fair value of derivatives	1,393,849	133,519	1,221,885	102,828	-	-	2,204	2,854,285
Customer deposits	239,301,017	-	706,068	-	-	-	-	240,007,085
Demand	123,354,352	-	22,073	-	-	-	-	123,376,425
Saving	1,269,928	-	-	-	-	-	-	1,269,928
Time	95,418,149	-	683,995	-	-	-	-	96,102,144
Other	19,258,588	-	-	-	-	-	-	19,258,588
Debt securities in issue	8,758,419	-	-	-	-	-	-	8,758,419
Other liabilities	13,045,634	-	35,698	18,167	-	152	-	13,099,651
Accounts payable and others	13,045,634	-	35,698	18,167	-	152	-	13,099,651
Total	286,879,756	8,434,567	7,783,538	268,276	-	23,647	89,724	303,479,508
Commitments and contingencies	85,062,235	1,768,334	9,254,288	9,908,527	-	5,694,119	2,160,896	113,848,399
Letters of credit	8,640,001	-	15,855	6,167	-	14,328	3,079	8,679,430
Letters of guarantee	53,686,902	659,587	9,198,035	5,784,925	-	5,676,706	2,153,721	77,159,876
Acceptances	3,630,361	3,878	1,640	1,784	-	3,085	4,096	3,644,844
Irrevocable commitments to extend credit	19,104,971	1,104,869	38,758	4,115,651	-	-	-	24,364,249
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	2,247,039	210,113	4,771,910	-	-	-	-	7,229,062
Held for trading	2,222,039	210,113	3,989,606	-	-	-	-	6,421,758
Held as fair value hedges	-	-	436,579	-	-	-	-	436,579
Held as cash flow hedges	25,000	-	345,725	-	-	-	-	370,725
Commitments and contingencies	50,392,615	964,505	5,774,800	5,662,152	-	3,556,167	1,351,102	67,701,341
Letters of credit	3,738,585	-	6,861	2,669	-	6,199	1,332	3,755,646
Letters of guarantee	33,539,082	412,119	5,747,058	3,614,500	-	3,546,883	1,345,674	48,205,316
Acceptances	3,630,361	3,878	1,640	1,784	-	3,085	4,096	3,644,844
Irrevocable commitments to extend credit	9,484,587	548,508	19,241	2,043,199	-	-	-	12,095,535

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 GEOGRAPHICAL CONCENTRATION (continued)

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

	Non-performing loans and advances, net		Allowance for credit losses	
	2023	2022	**2023**	2022
	SAR'000	SAR'000	**SAR'000**	SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	**2,223,346**	2,933,333	**(870,006)**	(1,508,132)
Consumer Loans**	**1,240,472**	1,310,629	**(728,154)**	(682,582)
Other GCC and Middle East				
Commercial Loans*	**-**	-	**-**	-
Total	**3,463,818**	4,243,962	**(1,598,160)**	(2,190,714)

*Includes overdrafts and other loans

** includes consumer mortgage loans and credit cards

34.3 CREDIT QUALITY ANALYSIS

a) The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

i) Balances with SAMA and due from bank and other financial institutions

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Investment grade (credit rating of 'BBB' or above)	**38,055,633**	-	-	**38,055,633**
Non-investment grade (credit rating of below 'BBB')	**104,355**	-	-	**104,355**
Carrying amount	**38,159,988**	-	-	**38,159,988**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	49,007,134	-	-	49,007,134
Non-investment grade (credit rating of below 'BBB')	775,841	-	-	775,841
Carrying amount	49,782,975	-	-	49,782,975

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

ii) Loans and advances, gross at amortized cost

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**258,856,541**	**7,821,309**	**221,180**	**266,899,030**
Watch list	**-**	**8,310,050**	**647,667**	**8,957,717**
Substandard	**-**	**-**	**2,383,578**	**2,383,578**
Doubtful	**-**	**-**	**665,013**	**665,013**
Loss	**-**	**-**	**415,227**	**415,227**
Carrying amount	**258,856,541**	**16,131,359**	**4,332,665**	**279,320,565**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	228,278,751	7,386,360	129,259	235,794,370
Watch list	-	6,528,617	552,796	7,081,413
Substandard	-	-	2,523,245	2,523,245
Doubtful	-	-	1,295,438	1,295,438
Loss	-	-	425,279	425,279
Carrying amount	228,278,751	13,914,977	4,926,017	247,119,745

ii) (a) Credit cards, gross

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**1,402,376**	**11,645**	**-**	**1,414,021**
Watch list	**-**	**58,562**	**-**	**58,562**
Substandard	**-**	**-**	**36,353**	**36,353**
Doubtful	**-**	**-**	**9,848**	**9,848**
Loss	**-**	**-**	**-**	**-**
Carrying amount	**1,402,376**	**70,207**	**46,201**	**1,518,784**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	1,051,829	29,540	-	1,081,369
Watch list	-	52,048	-	52,048
Substandard	-	-	32,982	32,982
Doubtful	-	-	13,277	13,277
Loss	-	-	-	-
Carrying amount	1,051,829	81,588	46,259	1,179,676

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

ii) (b) Consumer loans, gross*

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**92,390,637**	**388,112**	**-**	**92,778,749**
Watch list	**-**	**1,060,984**	**-**	**1,060,984**
Substandard	**-**	**-**	**661,367**	**661,367**
Doubtful	**-**	**-**	**359,867**	**359,867**
Loss	**-**	**-**	**173,037**	**173,037**
Carrying amount	**92,390,637**	**1,449,096**	**1,194,271**	**95,034,004**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	83,250,523	718,691	-	83,969,214
Watch list	-	988,976	-	988,976
Substandard	-	-	682,300	682,300
Doubtful	-	-	433,813	433,813
Loss	-	-	148,257	148,257
Carrying amount	83,250,523	1,707,667	1,264,370	86,222,560

ii) (c) Commercial loans, gross**

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk (Risk grade 1-17)	**165,063,528**	**7,421,552**	**221,180**	**172,706,260**
Watch list (Risk grade 18-20)	**-**	**7,190,504**	**647,667**	**7,838,171**
Substandard (Risk grade 21)	**-**	**-**	**1,685,858**	**1,685,858**
Doubtful (Risk grade 22)	**-**	**-**	**295,298**	**295,298**
Loss (Risk grade 23)	**-**	**-**	**242,190**	**242,190**
Carrying amount	**165,063,528**	**14,612,056**	**3,092,193**	**182,767,777**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk (Risk grade 1-17)	143,976,399	6,638,129	129,259	150,743,787
Watch list (Risk grade 18-20)	-	5,487,593	552,796	6,040,389
Substandard (Risk grade 21)	-	-	1,807,963	1,807,963
Doubtful (Risk grade 22)	-	-	848,348	848,348
Loss (Risk grade 23)	-	-	277,022	277,022
Carrying amount	143,976,399	12,125,722	3,615,388	159,717,509

* Includes consumer mortgage loans

* *Includes overdrafts and other loans

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

iii) (a) Debt investment securities at amortised cost

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Saudi Government Bonds, Sukuk and Treasury Bills	**32,917,649**	**-**	**-**	**32,917,649**
Investment Grade(credit rating of 'BBB' or above)	**838,091**	**-**	**-**	**838,091**
Non-investment Grade (credit rating of below 'BBB')	**760,114**	**105,183**	**-**	**865,297**
Carrying amount	**34,515,854**	**105,183**	**-**	**34,621,037**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	31,125,136	-	-	31,125,136
Investment Grade (credit rating of 'BBB' or above)	1,197,433	-	-	1,197,433
Non-investment Grade(credit rating of below 'BBB')	944,261	105,558	-	1,049,819
Carrying amount	33,266,830	105,558	-	33,372,388

iii) (b) Debt investment securities at FVOCI

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Saudi Government Bonds, Sukuk and Treasury Bills	**-**	**-**	**-**	**-**
Investment Grade(credit rating of 'BBB' or above)	**12,362,942**	**47,621**	**-**	**12,410,563**
Non-investment Grade(credit rating of below 'BBB')	**4,486,620**	**1,844,916**	**794,897**	**7,126,433**
Carrying amount	**16,849,562**	**1,892,537**	**794,897**	**19,536,996**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade(credit rating of 'BBB' or above)	9,383,854	-	-	9,383,854
Non-investment Grade(credit rating of below 'BBB')	4,334,535	1,640,626	688,977	6,664,138
Carrying amount	13,718,389	1,640,626	688,977	16,047,992

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

iv) The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2023 and 2022.

2023 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**101,053,012**	**2,194,347**	**33,035**	**103,280,394**
Watch list	**-**	**1,426,484**	**13,384**	**1,439,868**
Substandard	**-**	**-**	**331,072**	**331,072**
Doubtful	**-**	**-**	**22,840**	**22,840**
Loss	**-**	**-**	**357,418**	**357,418**
Carrying amount	**101,053,012**	**3,620,831**	**757,749**	**105,431,592**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	84,296,157	2,214,663	8,137	86,518,957
Watch list	-	2,167,204	31,403	2,198,607
Substandard	-	-	429,442	429,442
Doubtful	-	-	54,529	54,529
Loss	-	-	282,615	282,615
Carrying amount	84,296,157	4,381,867	806,126	89,484,150

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the credit risk grade at the reporting date with the credit risk grade at origination for any significatnt downgrade.
- the lifetime PD at the reporting date with the lifetime PD at origination for any significant increase in default risk.

The Group, groups its loans into Stage 1, Stage 2 and Stage 3 as described below:
Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Loans considered credit-impaired. The Group records an allowance for the Lifetime ECL.

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

Credit risk grades

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

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

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

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

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

i) Generating the term structure of PD

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

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

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

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

ii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in credit risk grades, PDs, and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, Group's quantitative risk grading and PD models indicate a material credit risk deterioration. In addition, using its expert credit judgment and, where possible, relevant historical experience, the Group may determines that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on ~~a~~ material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iii) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

iii) Modified financial assets (continued)

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.The relevant Board Committee regularly receives Loan Asset Quality review reports including forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

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

iv) Definition of 'Default'

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

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

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

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

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

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both, its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macroeconomic models, in order to predict the default rates for the Corporate, Investments and Retail portfolio, for the future years.

The macroeconomic forecasts are made across four non-baseline scenarios, including the three stress scenarios mentioned in the below table. The forecasts for national factors were provided by the Bank and for the global factors, the forecasts were internally generated. These scenarios are formulated by considering the forecasts based on the latest economic outlook as the baseline. There is also an optimistic scenario namely 'Mild upturn' which is the inverse of the 'Mild Downturn' scenario. Following probability of scenario occurrences have been used to arrive at the final ECL estimates:

-Base - 40%
-Mild Up - 30%
-Mild Down- 10%
-Moderate - 10%
-Severe - 10%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated using local and international sources, such as General Authority for Statistics (KSA), World Bank, IMF etc. The Group started with close to 50 macro-economic variables for data collection purposes and these were further curtailed to 11 factors for the development of macroeconomic models, and using the most robust statistical techniques like linear and multi-factor regression, the Group finally selected only the best suitable combination of variables pertaining to the respective portfolios (on which the model would be applied). The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit

- National GDP Growth Rate (%)
- Non-Oil GDP
- SAIBOR
- Crude Oil Prices (in USD per Barrel)
- Real Estate Loans (Mn SAR)
- World GDP(Constant prices)
- Investment(% of World GDP)
- Tadawul Share Price Index

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

v) Incorporation of forward looking information (continued)

Group has used below baseline forecast related to the macroeconomic variables and for comparison purposes, severe stress forecasts are also presented along.

	Forecast calendar years used in 2023 ECL model (Baseline)			Forecast calendar years used in 2023 ECL model (Severe)		
Economic Indicators (Raw)	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
National GDP Growth Rate Constant	2.36	19.47	10.00	-9.45	7.66	-1.81
National GDP Growth Rate Current Prices(%)	-1.36	12.79	21.03	-45.77	-31.63	-23.4
Non-Oil GDP (Constant Prices)	473,769	490,930	523,153	455,981	473,141	505,365
Tadawul Share Price Index	11,060	11,900	12,658	9,743	10,583	11,341
3-Monthly Average SAIBOR	5.8	5.9	4.9	6.6	6.6	5.6
Crude oil prices (in USD per Barrel)	78	84	82	61	67	65.1
Real Estate Loans (Mn SAR)	780,644	901,040	1,036,393	654,145	774,541	909,894
World GDP % Change (Constant Prices)	3.0	2.9	3.2	1.6	1.6	1.8
Investment(% of World GDP)	26.4	26.2	26.3	25.9	25.7	25.8

Sensitivity of ECL allowance

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates.

The potential impact of global economic slowdown, inflationary pressures, volatility in energy prices, and high interest rate environment add certain estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses.Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

The Group has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. The Group uses different macroeconomic models for different portfolios/sub-portfolios for its Corporate & Retail Loans and Investments exposures and therefore, the sensitivity analysis reflects changes in the value of given macroeconomic variable(s) used in these models and the resulting ECL impact on the respective portfolio(s). Noting that macroeconomic adjustment to a single PIT PD model may include more than one independent economic variable as model input, the standalone ECL impact of aforesaid sensitivity analysis is performed. The sensitivity analysis is performed taking into account the materiality of the exposure which is covered under a particular macroeconomic model:

Assumptions sensitized (SAR' 000)	**ECL impact 2023**
Macro-economic factors:	
5% Contraction in National GDP Growth Rate (Mn SAR)	3,234
10% Contraction in National GDP Growth Rate (Mn SAR)	6,530
1% Contraction in Non-Oil GDP (Constant Prices)	2,748
2% Contraction in Non-Oil GDP (Constant Prices)	5,599
10% Contraction in Tadawul Share Price Index	13,302
20% Contraction in Tadawul Share Price Index	26,806
5% Dip in oil prices (USD per Barrel)	97,639
10% Dip in oil prices (USD per Barrel)	199,476
10% Contraction in Real Estate Loans (Mn SAR)	8,644
20% Contraction in Real Estate Loans (Mn SAR)	17,879
5% Decline in the World GDP(Mn SAR)	119
10% Decline in World GDP(Mn SAR)	237
10% Rise in SAIBOR	28
20% Rise in SAIBOR	65
5% Decline in Investment(% of World GDP)	3,914
10% Decline in Investment(% of World GDP)	7,828
Scenario Probability of Occurrence	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	14,273
Base scenario sensitized by +/- 5% with corresponding change in mild upside	13,553

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 CREDIT QUALITY ANALYSIS (continued)

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

vi) Measurement of ECL

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

i. Probability of default (PD);

ii. Loss given default (LGD);

iii. Exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include but not limited to below:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower;
- Econonomic Sectors.

The Group's risk and business profile is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

34. FINANCIAL RISK MANAGEMENT (continued)

34.4 CREDIT QUALITY OF LOANS AND ADVANCES

a) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

SAR' 000	2023 Performing	2023 Non performing	2023 Allowance for impairment	2023 Loans and advances, net	2022 Performing	2022 Non performing	2022 Allowance for impairment	2022 Loans and advances, net
Government and quasi Government	371,575	-	(1,480)	370,095	441,615	-	(772)	440,843
Banks and other financial institutions	14,419,228	-	(38,236)	14,380,992	12,101,125	-	(15,177)	12,085,948
Agriculture and fishing	1,908,319	7,489	(12,279)	1,903,529	2,824,724	-	(3,557)	2,821,167
Manufacturing	25,916,789	496,490	(876,162)	25,537,117	26,063,183	288,122	(828,558)	25,522,747
Mining and quarrying	7,681,901	688	(10,102)	7,672,487	7,676,613	294	(4,348)	7,672,559
Electricity, water, gas and health services	19,173,538	11,271	(49,323)	19,135,486	13,011,079	17,027	(18,221)	13,009,885
Building and construction	20,221,204	645,841	(1,600,098)	19,266,947	18,520,949	759,012	(1,460,447)	17,819,514
Commerce	63,676,064	741,219	(977,698)	63,439,585	50,272,634	1,247,666	(976,812)	50,543,488
Transportation and communication	5,168,239	83,419	(13,486)	5,238,172	6,177,580	4,357	(7,572)	6,174,365
Services	17,887,067	236,929	(206,471)	17,917,525	15,983,998	616,527	(392,306)	16,208,219
Consumer loans and credit cards	95,312,316	1,240,472	(1,128,346)	95,424,442	86,091,607	1,310,629	(1,046,090)	86,356,146
Others	4,120,507	-	(8,638)	4,111,869	3,710,676	328	(938)	3,710,066
Total	275,856,747	3,463,818	(4,922,319)	274,398,246	242,875,783	4,243,962	(4,754,798)	242,364,947

b) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2023 SAR'000	2022 SAR'000
Good loans	107,699,140	101,110,339
Past due but performing loans	6,438,757	5,820,259
Non performing loans	1,798,326	2,738,536
Total	115,936,223	109,669,134

35. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

33.1 Market Risk - Trading Book

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

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 variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). 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 Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that 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 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

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

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2023 and 2022 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2023			
	Foreign exchange rate risk	**Special commission rate risk**	**Equity price risk**	**Overall risk**
VaR as at December 31, 2023	**0.44**	**1.02**	**1.14**	**2.39**
Average VaR for 2023	**1.07**	**2.50**	**1.78**	**4.81**
Maximum VaR for 2023	**2.96**	**6.92**	**3.41**	**11.81**
Minimum VaR for 2023	**0.39**	**0.91**	**0.71**	**1.81**

	2022			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2022	1.85	7.57	3.41	11.32
Average VaR for 2022	1.70	6.96	4.28	11.56
Maximum VaR for 2022	2.78	11.39	7.15	19.06
Minimum VaR for 2022	0.82	3.37	2.54	6.06

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2023 and 2022, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2023 and 2022 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2023

Currency	Increase in basis points	Sensitivity of net special commission	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	315.15	-	-	-	-	-
USD	+ 100	(290.28)	(1.30)	(0.65)	(53.98)	(438.48)	(494.41)
EUR	+ 100	(0.62)					
GBP	+ 100	(0.97)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(321.21)	-	-	-	-	-
USD	- 100	288.78	1.30	0.65	53.98	438.48	494.41
EUR	- 100	0.62					
GBP	- 100	0.97	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2022

Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	494.42	-	-	-	-	-
USD	+ 100	(152.04)	(0.26)	(0.20)	(42.00)	(551.07)	(593.53)
EUR	+ 100	(3.44)					
GBP	+ 100	(5.61)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(570.50)	-	-	-	-	-
USD	- 100	206.95	0.26	0.20	42.00	551.07	593.53
EUR	- 100	2.08					
GBP	- 100	2.70	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	9,141,203	-	-	-	17,034,023	26,175,226
Cash in hand	-	-	-	-	3,450,448	3,450,448
Balances with SAMA	9,141,203	-	-	-	13,583,575	22,724,778
Due from banks and other financial institutions	11,681,520	-	-	-	3,752,205	15,433,725
Current accounts	2,707,342	-	-	-	3,752,205	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	3,531,166	6,422,286	13,012,955	31,188,793	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	2,903,260	5,313,315	3,101,714	23,299,915	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	106,239,360	70,842,745	41,463,315	55,852,826	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	3,125,020	8,051,085	29,406,766	53,376,399	-	93,959,270
Commercial loans	94,247,468	62,791,660	12,056,549	2,476,427	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property, equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398				1,422,722	2,547,120
Total assets	131,737,173	77,314,482	55,094,742	90,022,300	32,680,232	386,848,929
Liabilities and shareholders' equity						
Due to banks and other financial institutions	17,552,202	13,541,251	9,245,147	-	2,125,426	42,464,026
Current accounts	-	-	-	-	2,125,426	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463	-	3,428,575
Customer deposits	99,971,114	13,016,368	10,891,876	2,274,400	128,753,866	254,907,624
Demand	11,347,732	-	-	-	108,258,951	119,606,683
Saving	713,773	-	-	-	686,374	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	-	-	-	-	19,808,541	19,808,541
Debt securities in issue and term loan	-	7,747,622	5,625,000	-	-	13,372,622
Other liabilities	-	-	-	-	12,418,011	12,418,011
Accounts payable and others	-	-	-	-	12,418,011	12,418,011
Shareholders' equity and Tier 1 sukuk	-	-	-	-	60,258,071	60,258,071
Total liabilities and shareholders' equity	117,535,626	34,375,431	26,367,635	5,014,863	203,555,374	386,848,929
Special commission rate sensitivity -On statement of financial position gap	14,201,547	42,939,051	28,727,107	85,007,437	(170,875,142)	-
Special commission rate sensitivity -Off statement of financial position gap	199,047	(786,547)	587,500	-	-	
Total special commission rate sensitivity gap	14,400,594	42,152,504	29,314,607	85,007,437	(170,875,142)	
Cumulative special commission rate sensitivity gap	14,400,594	56,553,098	85,867,705	170,875,142	-	

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	16,166,000	-	-	-	17,200,652	33,366,652
Cash in hand	-	-	-	-	4,197,499	4,197,499
Balances with SAMA	16,166,000	-	-	-	13,003,153	29,169,153
Due from banks and other financial institutions	19,029,388	-	-	-	1,583,844	20,613,232
Current accounts	4,957,399	-	-	-	1,583,844	6,541,243
Money market placements	14,071,989	-	-	-	-	14,071,989
Positive fair value of derivatives	71,580	104,042	674,001	2,941,218	-	3,790,841
Investments, net	1,214,314	4,183,099	9,469,887	34,547,651	2,781,169	52,196,120
FVIS	-	-	-	-	1,363,419	1,363,419
FVOCI	39,577	229,798	6,493,969	9,284,648	1,417,750	17,465,742
Amortised cost	1,174,737	3,953,301	2,975,918	25,263,003	-	33,366,959
Investment in associates	-	-	-	-	371,215	371,215
Loans and advances, net	93,615,579	66,084,434	37,016,352	45,648,582	-	242,364,947
Overdraft	4,250,748	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	1,119,658
Consumer loans	3,949,400	10,976,701	27,372,022	42,938,365	-	85,236,488
Commercial loans	83,469,058	55,107,733	9,644,330	2,710,217	-	150,931,338
Others	826,715	-	-	-	-	826,715
Other real estate	-	-	-	-	465,249	465,249
Property, equipment and right of use assets, net	-	-	-	-	3,308,655	3,308,655
Other assets	817,863	-	-	-	2,358,083	3,175,946
Accounts receivable and others	817,863	-	-	-	2,358,083	3,175,946
Total assets	130,914,724	70,371,575	47,160,240	83,137,451	28,068,867	359,652,857
Liabilities and shareholders' equity						
Due to banks and other financial institutions	9,453,587	13,977,592	13,434,373	633,948	1,260,568	38,760,068
Current accounts	-	-	-	-	1,260,568	1,260,568
Money market deposits	9,453,587	13,977,592	13,434,373	633,948	-	37,499,500
Negative fair value of derivatives	47,531	61,267	594,506	2,150,981	-	2,854,285
Customer deposits	80,412,372	23,615,761	4,287,547	1,422,353	130,269,052	240,007,085
Demand	12,968,096	-	-	-	110,408,329	123,376,425
Saving	667,793	-	-	-	602,135	1,269,928
Time	66,776,483	23,615,761	4,287,547	1,422,353	-	96,102,144
Other	-	-	-	-	19,258,588	19,258,588
Debt securities in issue	-	8,758,419	-	-	-	8,758,419
Other liabilities	-	-	-	-	13,099,651	13,099,651
Accounts payable and others	-	-	-	-	13,099,651	13,099,651
Shareholders' equity	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	89,913,490	46,413,039	18,316,426	4,207,282	200,802,620	359,652,857
Special commission rate sensitivity -On statement of financial position gap	41,001,234	23,958,536	28,843,814	78,930,169	(172,733,753)	-
Special commission rate sensitivity -Off statement of financial position gap	5,957,151	1,584,397	(2,546,289)	(4,995,259)	-	
Total special commission rate sensitivity	46,958,385	25,542,933	26,297,525	73,934,910	(172,733,753)	
Cumulative special commission rate sensitivity gap	46,958,385	72,501,318	98,798,843	172,733,753	-	

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2023 and 2022 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 SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency Exposures As at December 31, 2023 (SAR million)	**Change in currency rate in %**	**Effect on net income**
USD	**± 1**	**±2.77**
EUR	**± 1**	**±0.0056**
GBP	**± 1**	**±0.65**
JPY	**± 1**	**±0**
Others	**± 1**	**±0**

Currency Exposures As at December 31, 2022 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±2.148
EUR	± 1	±0.097
GBP	± 1	±0.257
JPY	± 1	±0
Others	± 1	±0

iv) Foreign currency risk

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

	2023 Long (short) SAR'000	2022 Long (short) SAR'000
US Dollar	**974,080**	(718,731)
Japanese Yen	**842**	209
Euro	**(664)**	17
Pound Sterling	**(1,200)**	(86)
Others	**52,060**	11,907

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

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35. MARKET RISK (continued)

33.2 Market Risk - Non-trading or Banking Book (continued)

v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The Group did not have any Saudi Exchage (Tadawul) listed equities(shares) as at 31 December 2023 & 2022.

36. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by Asset Liability Committee (ALCO). Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2022: 7%) of average demand deposits and 4% (2022: 4%) of average saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

36. LIQUIDITY RISK (continued)

a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations.

As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2023 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial liabilities					
Due to banks and other financial institutions	**19,943,407**	**12,393,743**	**10,620,040**	**-**	**42,957,190**
Current accounts	**2,125,426**	**-**	**-**	**-**	**2,125,426**
Money market deposits	**17,817,981**	**12,393,743**	**10,620,040**	**-**	**40,831,764**
Customer deposits	**225,145,385**	**14,766,885**	**12,596,578**	**2,398,776**	**254,907,624**
Demand	**119,606,683**	**-**	**-**	**-**	**119,606,683**
Saving	**1,400,147**	**-**	**-**	**-**	**1,400,147**
Time	**87,909,609**	**13,016,368**	**10,891,876**	**2,274,400**	**114,092,253**
Other	**16,228,946**	**1,750,517**	**1,704,702**	**124,376**	**19,808,541**
Debt securities in issue and term loan	**99,674**	**299,022**	**1,594,787**	**9,469,854**	**11,463,337**
Derivative financial instruments	**(29,343)**	**7,854**	**69,276**	**205,454**	**253,241**
Lease liabilities	**5,598**	**42,344**	**326,867**	**181,285**	**556,093**
Total undiscounted financial liabilities	**245,164,721**	**27,509,848**	**25,207,548**	**12,255,369**	**310,137,485**

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	10,811,108	14,046,570	13,444,877	634,604	38,937,159
Current accounts	1,260,568	-	-	-	1,260,568
Money market deposits	9,550,540	14,046,570	13,444,877	634,604	37,676,591
Customer deposits	208,040,185	24,861,997	5,542,904	1,574,171	240,019,257
Demand	123,376,437	-	-	-	123,376,437
Saving	1,269,933	-	-	-	1,269,933
Time	66,784,784	23,618,767	4,288,156	1,422,592	96,114,299
Other	16,609,031	1,243,230	1,254,748	151,579	19,258,588
Debt securities in issue	80,529	241,587	1,288,462	9,626,902	11,237,480
Derivative financial instruments	(313,894)	(995,162)	51	-	(1,309,005)
Lease liabilities	6,334	66,799	272,497	95,432	441,062
Total undiscounted financial liabilities	218,624,262	38,221,791	20,548,791	11,931,109	289,325,953

36. LIQUIDITY RISK (continued)

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

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	12,856,855	-	-	-	13,318,371	26,175,226
Cash in hand	3,450,448	-	-	-	-	3,450,448
Balances with SAMA	9,406,407	-	-	-	13,318,371	22,724,778
Due from banks and other financial institutions	15,433,725	-	-	-	-	15,433,725
Current accounts	6,459,547	-	-	-	-	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	2,517,404	4,090,829	16,411,676	31,135,291	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	1,889,498	2,981,858	6,500,435	23,246,413	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	49,558,579	53,437,708	79,780,753	91,621,206	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	223,230	334,581	30,009,005	63,392,454	-	93,959,270
Commercial loans	40,468,477	53,103,127	49,771,748	28,228,752	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property and equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398				1,422,722	2,547,120
Total assets	81,510,487	57,577,988	96,810,901	125,737,178	25,212,375	386,848,929
Liabilities and shareholders' equity						
Due to banks and other financial institutions	19,677,628	13,541,251	9,245,147	-	-	42,464,026
Current accounts	2,125,426	-	-	-	-	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463		3,428,575
Customer deposits	225,145,385	14,766,885	12,596,578	2,398,776	-	254,907,624
Demand	119,606,683	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	16,228,946	1,750,517	1,704,702	124,376	-	19,808,541
Debt securities in issue and term loan	277,300	-	10,125,000	2,970,322	-	13,372,622
Other liabilities	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Accounts payable and others	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Shareholders' equity and Tier 1 sukuk	-	-	-	-	60,258,071	60,258,071
Total liabilities and shareholders' equity	246,196,313	28,481,529	32,896,533	8,709,891	70,564,663	386,848,929

36. LIQUIDITY RISK (continued)

b) Analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (continued).

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	20,872,849	-	-	-	12,493,803	33,366,652
Cash in hand	4,197,499	-	-	-	-	4,197,499
Balances with SAMA	16,675,350	-	-	-	12,493,803	29,169,153
Due from banks and other financial institutions	20,613,232	-	-	-	-	20,613,232
Current accounts	6,541,243	-	-	-	-	6,541,243
Money market placements	14,071,989	-	-	-	-	14,071,989
Positive fair value of derivatives	71,580	104,042	674,001	2,941,218	-	3,790,841
Investments, net	134,320	3,016,473	11,173,990	35,090,168	2,781,169	52,196,120
FVIS	-	-	-	-	1,363,419	1,363,419
FVOCI	39,577	229,798	6,493,969	9,284,648	1,417,750	17,465,742
Amortised cost	94,743	2,786,675	4,680,021	25,805,520	-	33,366,959
Investment in associates	-	-	-	-	371,215	371,215
Loans and advances, net	39,959,279	49,410,745	74,714,225	78,280,698	-	242,364,947
Overdraft	4,250,748	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	1,119,658
Consumer loans	85,497	451,851	27,802,865	56,896,275	-	85,236,488
Commercial loans	33,676,661	48,958,894	46,911,360	21,384,423	-	150,931,338
Others	826,715	-	-	-	-	826,715
Other real estate	-	-	-	-	465,249	465,249
Property, equipment and right of use assets, net	-	-	-	-	3,308,655	3,308,655
Other assets	817,863	-	-	-	2,358,083	3,175,946
Accounts receivable and others	817,863	-	-	-	2,358,083	3,175,946
Total assets	82,469,123	52,531,260	86,562,216	116,312,084	21,778,174	359,652,857
Liabilities and shareholders' equity						
Due to banks and other financial institutions	10,714,155	13,977,592	13,434,373	633,948	-	38,760,068
Current accounts	1,260,568	-	-	-	-	1,260,568
Money market deposits	9,453,587	13,977,592	13,434,373	633,948	-	37,499,500
Negative fair value of derivatives	47,531	61,267	594,506	2,150,981	-	2,854,285
Customer deposits	208,031,867	24,858,991	5,542,295	1,573,932	-	240,007,085
Demand	123,376,425	-	-	-	-	123,376,425
Saving	1,269,928	-	-	-	-	1,269,928
Time	66,776,483	23,615,761	4,287,547	1,422,353	-	96,102,144
Other	16,609,031	1,243,230	1,254,748	151,579	-	19,258,588
Debt securities in issue	122,091	-	-	8,636,328	-	8,758,419
Other liabilities	1,476,749	592,756	352,949	453,488	10,223,709	13,099,651
Accounts payable and others	1,476,749	592,756	352,949	453,488	10,223,709	13,099,651
Shareholders' equity	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	220,392,393	39,490,606	19,924,123	13,448,677	66,397,058	359,652,857

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. The cumulative maturities of commitments and contingencies are given in note 20 c) .

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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

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

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Fair value and fair value hierarchy

2023 SAR'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Investments Held as FVIS	**2,322,845**	**-**	**-**	**2,322,845**
- Mutual funds	**2,322,845**	**-**	**-**	**2,322,845**
Investments Held as FVOCI	**20,487,008**	**-**	**680,767**	**21,167,775**
- Fixed rate securities	**19,534,543**	**-**	**-**	**19,534,543**
- Floating rate securities	**2,453**	**-**	**-**	**2,453**
- Equities	**950,012**	**-**	**680,767**	**1,630,779**
Positive fair value derivatives	**-**	**3,668,130**	**-**	**3,668,130**
Financial liabilities measured at fair value				
Negative fair value derivatives	**-**	**3,428,575**	**-**	**3,428,575**

2022 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,363,419	-	-	1,363,419
- Mutual funds	1,363,419	-	-	1,363,419
Investments Held as FVOCI	16,911,166	-	554,576	17,465,742
- Fixed rate securities	16,047,992	-	-	16,047,992
- Equities	863,174	-	554,576	1,417,750
Positive fair value derivatives	-	3,790,841	-	3,790,841
Financial liabilities measured at fair value				
Negative fair value derivatives	-	2,854,285	-	2,854,285

The fair value of loans and advances amounted to SAR 275,392 million(carrying value: SAR 279,321 million) (2022: fair value SAR 240,552 million and carrying value SAR 247,120 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances which is categorized within level 3 of fair value hierarchy. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 31,934 million with carrying value SAR 34,618 million (2022: fair value SAR 30,742 million and carrying value SAR 33,367 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued and term loan at December 31, 2023 and 2022 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

Reconciliation of movement in Level 3	2023 SAR'000	2022 SAR'000
Opening balance	554,576	537,534
Total gains or losses		
- recognised in other comprehensive income	121,394	(8,907)
Other movements	2,452	(18,801)
Purchases	2,345	44,750
Closing balance	680,767	554,576

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:

a) In the principal market for the asset or liability, or

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

38. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2023 SAR'000	2022 SAR'000
a) Major Shareholders		
Loans and advances	235,000	335,000
Customer deposits	10,157,328	21,560,183
Derivatives asset (at fair value)	(1,843)	(2,805)
Commitments and contingencies (irrevocable)	1,015,000	915,000
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	729,585	498,622
Customer deposits	432,171	129,210
Commitments and contingencies (irrevocable)	986,713	1,261,154
Executive end of service	30,495	27,070
c) Associates		
Loans and advances	48,000	61,667
Customer deposits	140,336	254,486
Commitments and contingencies (irrevocable)	462,911	613,333

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

Group's mutual funds:		
Customer deposits	-	590,000

38. RELATED PARTY TRANSACTIONS (continued)

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

	2023 SAR'000	2022 SAR'000
Special commission income	**56,784**	43,458
Special commission expense	**1,151,280**	687,828
Fees from banking services, net	**294,893**	406,157
Directors and committees remuneration and expenses	**7,025**	6,843
Executive remuneration and bonus	**114,562**	123,719
Executive end of service	**5,751**	3,672
Other expenses	**43,710**	32,209

39. CAPITAL ADEQUACY

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

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

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

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

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

	2023 SAR '000	2022 SAR '000
Top consolidated level		
Common Equity Tier 1 Capital(CET 1)	**53,451,132**	49,465,033
Total Tier 1 capital	**60,013,632**	56,036,158
Tier 2 capital	**10,498,335**	9,316,463
Total Tier 1 + Tier 2 Capital	**70,511,967**	65,352,621
Risk weighted assets		
Credit risk weighted assets	**318,801,964**	283,847,741
Operational risk weighted assets	**13,461,109**	21,401,471
Market risk weighted assets	**7,843,841**	5,175,650
Total Pillar 1 Risk Weighted Assets	**340,106,914**	310,424,862
CET 1 Ratio %	**15.72%**	15.9%
Tier I Capital Adequacy Ratio	**17.65%**	18.1%
Total Capital Adequacy Ratio	**20.73%**	21.1%

40. PROFIT SHARING INVESTMENT ACCOUNT

The PSIA policy document was developed to define the roles & responsibilities of board & senior management , product governance, profit calculation & distribution mechanism, terms & conditions of the contract and disclosure requirements in financial statements and to the Investment account holders. The gross financing includes the Bank's ijara portfolio. The deposits raised through Islamic Saving Account forms a pool of funds, invested in Islamic assets. The size of these keeps varying depending upon placement of new deposits or withdrawal by the customers. Bank have a share in the profit earned on the pool of funds based on a Profit-Sharing Ratio.

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

As of December 31, 2023 & 2022, all joint financing is funded by comingled pool which includes funds from Unrestricted Investment Accountholder ("IAH").

	2023	2022
	SAR'000	SAR'000
Ijarah	**3,582,720**	2,538,278
Total financing and investments	**3,582,720**	2,538,278

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

	2023	2022
	SAR'000	SAR'000
Pool Income from Investment	**24,235**	19,628
Total Pool Income	**24,235**	19,628
Total amount paid to IAH Mudaraba	**1,648**	1,483
Total amount attributable to shareholders pool	**1,648**	1,483

41. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their monthly basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

42. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 93.5 billion (2022: SAR 82.1 billion).

The Bank's assets under management include non-interest based funds amounting to SAR 14.4 billion (2022: SAR 24.2 billion).

43. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of 31 December 2023, most of the impacted financial instruments have transitioned to alternate reference rate.

44. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

45. EVENTS AFTER THE REPORTING PERIOD

On February 13, 2024, final dividends of SAR 2,246 million at SAR 0.75 per share was proposed for 2023.

46. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Sha'ban 2,1445 H (corresponding to February 12, 2024).

Abdullah A. Al-Oraini **Chief Financial Officer**	**Nadir S Al-Koraya** **Chief Executive Officer**	**Eng. Abdullah M. Al-Issa** **Chairman of the Board**