AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

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

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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Independent Auditors' Report
To the Shareholders of Al Rajhi Banking and Investment Corporation (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (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>
<tr><td colspan="2">Expected credit loss allowance against financing</td></tr>
<tr><td>
As at 31 December 2023, the Group's gross financing amounted to SAR 602,930.74 million (2022: SAR 576,866.99 million), against which an expected credit loss ("ECL") allowance of SAR 8,725.94 million (2022: SAR 8,528.88 million) was recorded.
We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:
1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of:
(a) exposures that have a significant increase in credit risk ("SICR") since their origination; and
(b) individually impaired / defaulted exposures.
</td><td>

We obtained and updated our understanding of management's assessment of the ECL allowance in respect of financing, including the Group's internal rating model, accounting policy and methodology, as well as any key changes made during the year.
We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9.
We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) in relation to:

the ECL model (including governance over the model; its validation during the year; any model updates performed during the year; and approval of the key inputs, assumptions and post model overlays, if any);
the classification of financing into Stages 1, 2 and 3 and timely identification of SICR, and the determination of default / individually impaired exposures;
the IT systems and applications supporting the ECL model; and
the integrity of data inputs into the ECL model.

For a sample of customers, we assessed:

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

For selected financings, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.

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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>
<tr><td colspan="2">Expected credit loss allowance against financing (continued)</td></tr>
<tr><td>2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including, but not limited to, assessment of the financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios.

The application of these judgments continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2023.

Refer to the summary of material accounting policies note 3e)(5) for the impairment of financial assets; note 2e)ii) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 7(e) which contains the disclosure of impairment against financing; and note 32-1a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</td><td>• We assessed the appropriateness of the Group's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of financing facilities.

• We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios.

• We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023.

• Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables and forecasted macroeconomic scenarios; and of assumptions used in post model overlays.

• We assessed the adequacy of the disclosures in the consolidated financial statements.</td></tr>
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Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

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

Other Information included in the Bank's 2023 Annual Report

Management is responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of the internal controls 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 controls.

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

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

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

- 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 jointly responsible for our audit opinion.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 was not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2023.

Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License no. 437

KPMG Professional Services

Khalil Ibrahim Al Sedais
Certified Public Accountant
License no. 371

27 Rajab 1445 H
(08 February 2024)

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Financial Position

(SAR'000)

As at	Note	31 December 2023	31 December 2022
Assets			
Cash and balances with Central Banks	4	**41,767,641**	42,052,496
Due from banks and other financial institutions, net	5	**9,506,673**	25,655,929
Investments, net	6	**133,375,565**	101,325,425
Positive fair value of Shariah compliant derivatives	40	**877,676**	996,143
Financing, net	7	**594,204,806**	568,338,114
Other assets, net	12	**11,716,865**	8,511,877
Investment in associates	8	**923,046**	820,717
Investment properties, net	11	**1,362,658**	1,364,858
Property, equipment, and right of use assets, net	9	**12,852,774**	11,338,782
Goodwill and other intangible assets, net	10	**1,510,568**	1,214,547
Total assets		**808,098,272**	761,618,888
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions	13	**97,246,889**	70,839,117
Customers' deposits	14	**573,100,607**	564,924,688
Negative fair value of Shariah compliant derivatives	40	**793,541**	961,405
Sukuk issued	28	**3,789,117**	-
Other liabilities	15	**26,408,687**	24,668,643
Total liabilities		**701,338,841**	661,393,853
Equity			
Share capital	16	**40,000,000**	40,000,000
Statutory reserve	17	**33,442,996**	29,287,706
Other reserves	17	**(96,606)**	(427,569)
Retained earnings		**16,913,041**	9,864,898
Proposed dividends	25	**-**	5,000,000
Equity attributable to shareholders of the Bank		**90,259,431**	83,725,035
Tier I Sukuk	27	**16,500,000**	16,500,000
Total equity		**106,759,431**	100,225,035
Total liabilities and equity		**808,098,272**	761,618,888

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman　　Chief Executive Officer　　Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Income

(SAR'000)

For the year ended 31 December	Notes	2023	2022
Income			
Gross financing and investment income	19	**38,737,616**	28,201,631
Gross financing and investment return	19	**(17,468,497)**	(6,028,944)
Net financing and investment income	19	**21,269,119**	22,172,687
Fee income from banking services	20	**9,394,600**	8,767,272
Fee expenses from banking services	20	**(5,168,950)**	(4,143,132)
Fee from banking services, net	20	**4,225,650**	4,624,140
Exchange income, net		**1,246,450**	1,162,162
Other operating income, net	21	**790,190**	616,030
Total operating income		**27,531,409**	28,575,019
Expenses			
Salaries and employees' related benefits	22	**3,525,096**	3,395,191
Depreciation, amortization and impairment	9,10,11	**1,578,009**	1,330,119
Other general and administrative expenses	23	**2,394,841**	2,725,760
Total operating expenses before credit impairment charge		**7,497,946**	7,451,070
Impairment charge for financing and other financial assets, net	7	**1,504,178**	2,001,259
Total operating expenses		**9,002,124**	9,452,329
Net income for the year before Zakat		**18,529,285**	19,122,690
Zakat Expense	43	**(1,908,126)**	(1,971,865)
Net income for the year		**16,621,159**	17,150,825
Basic and diluted earnings per share (SAR)	24	**3.95**	4.24

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Comprehensive Income

(SAR'000)

For the year ended 31 December	Notes	2023	2022
Net income for the year		**16,621,159**	17,150,825
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income in subsequent periods:			
- Net change in fair value (FVOCI equity investment)	17	**(9,369)**	(669,175)
- Actuarial gain on re–measurement of employees' end of service benefits liabilities ("EOSB")	17,30	**2,821**	231,824
- Share in FVOCI from associate	17	**18,333**	1,316
Items that may be reclassified to the consolidated statement of income in subsequent periods:			
- Exchange difference on translating foreign operations	17	**(42,712)**	(38,229)
- Net change in fair value of FVOCI Sukuk and Structured products investments	17	**307,054**	5,449
- Cash flow hedge effective portion of change in the fair value		**57,788**	(41,975)
Total other comprehensive income / (loss) for the year recognized in shareholders' equity		**333,915**	(510,790)
Total comprehensive income for the year		**16,955,074**	16,640,035

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman	Chief Executive Officer	Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Changes in Shareholders' Equity

(SAR'000)

For the year ended 31 December 2023	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank	Tier I Sukuk	Total equity
Balance at 31 December 2022		**40,000,000**	**29,287,706**	**(427,569)**	**9,864,898**	**5,000,000**	**83,725,035**	**16,500,000**	**100,225,035**
Net income for the year		-	-		16,621,159	-	16,621,159	-	16,621,159
Net change in fair value of FVOCI Equity investments	17	-	-	(9,369)	-	-	(9,369)	-	(9,369)
Net change in fair value of FVOCI Sukuk investments and Structured products investments	17	-	-	307,054	-	-	307,054	-	307,054
Share in FVOCI from associates	17	-	-	18,333	-	-	18,333	-	18,333
Actuarial gain on re–measurement of employees' "EOSB"		-	-	2,821	-	-	2,821	-	2,821
Exchange difference on translation of foreign operations	17	-	-	(42,712)	-	-	(42,712)	-	(42,712)
Cash flow hedge effective portion of change in the fair value		-	-	57,788	-	-	57,788	-	57,788
Net other comprehensive income (loss) recognized in shareholders' equity		-	-	333,915	-	-	333,915	-	333,915
Total comprehensive income for the year		-	-	333,915	16,621,159	-	16,955,074	-	16,955,074
Disposal of FVOCI equity instruments		-	-	(2,952)	2,952	-	-	-	-
Tier I Sukuk costs		-	-	-	(820,678)	-	(820,678)	-	(820,678)
Transfer to statutory reserve	17	-	4,155,290	-	(4,155,290)	-	-	-	-
Dividend for annual year 2022	25	-	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Interim dividend for the first half of 2023	25	-	-	-	(4,600,000)	-	(4,600,000)	-	(4,600,000)
Balance at 31 December 2023		40,000,000	33,442,996	(96,606)	16,913,041	-	90,259,431	16,500,000	106,759,431

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Changes in Shareholders' Equity

(SAR'000)

For the year ended 31 December 2022	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank	Tier I Sukuk	Total equity
Balance at 31 December 2021		25,000,000	25,000,000	282,107	16,999,457	-	67,281,564	-	67,281,564
Net income for the year		-	-	-	17,150,825	-	17,150,825	-	17,150,825
Net change in fair value of FVOCI Equity investments	17	-	-	(669,175)	-	-	(669,175)	-	(669,175)
Net change in fair value of FVOCI Sukuk investments and Structured products investments	17	-	-	5,449	-	-	5,449	-	5,449
Share in FVOCI from associates	17	-	-	1,316	-	-	1,316	-	1,316
Actuarial gain on re–measurement of employees' "EOSB"		-	-	231,824	-	-	231,824	-	231,824
Exchange difference on translation of foreign operations	17	-	-	(38,229)	-	-	(38,229)	-	(38,229)
Cash flow hedge Effective portion of change in the fair value		-	-	(41,975)	-	-	(41,975)	-	(41,975)
Net other comprehensive income (loss) recognized in shareholders' equity		-	-	(510,790)	-	-	(510,790)	-	(510,790)
Total comprehensive income for the year		-	-	(510,790)	17,150,825	-	16,640,035	-	16,640,035
Disposal of FVOCI equity instruments		-	-	(198,886)	198,886	-	-	-	-
Tier I Sukuk issued	27	-	-	-	-	-	-	16,500,000	16,500,000
Tier I Sukuk costs		-	-	-	(196,564)	-	(196,564)	-	(196,564)
Bonus shares Issued	26	15,000,000	-	-	(15,000,000)	-	-	-	-
Transfer to statutory reserve	17	-	4,287,706	-	(4,287,706)	-	-	-	-
Proposed dividends for the year 2022	25	-	-	-	(5,000,000)	5,000,000	-	-	-
Balance at 31 December 2022		40,000,000	29,287,706	(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Cash Flows

(SAR'000)

For the year ended 31 December	Note	2023	2022
Cash Flows from operating activities			
Net Income before Zakat		**18,529,285**	19,122,690
Adjustments to reconcile net income before zakat to net cash from operating activities:			
(Gain) / Loss on investments held at fair value through statement of income (FVIS)	21	**(32,051)**	208,766
Depreciation on property, equipment and right of use assets,net	9	**1,380,865**	1,132,137
Depreciation on investment properties	11	**25,460**	47,669
Amortization / impairment of Goodwill and other intangibles	10	**171,684**	150,313
Gain on sale of property and equipment, net	21	**(9,851)**	(1,275)
Impairment charge for financing and other financial assets, net	7	**1,504,178**	2,001,259
Share in profit of associates	21	**(87,866)**	(20,237)
Dividend income	21	**(136,884)**	(128,097)
Accretion/amortisation relating to debt investments, net		**(94,767)**	37,146
Profit charge against lease obligations		**32,232**	40,118
Fair value adjustment for Shariah compliant derivatives		**(49,397)**	6,209
Rental income from investment properties	21	**(98,077)**	(106,720)
(Increase) / decrease in operating assets			
Statutory deposit with SAMA and other central banks		**(2,088,863)**	(4,115,705)
Due from banks and other financial institutions		**4,759,466**	4,738,483
Financing, net		**(27,370,870)**	(117,508,716)
FVIS investments		**(252,238)**	(4,527)
Other assets, net		**(3,247,700)**	(1,027,724)
Increase / (decrease) in operating liabilities			
Due to banks and other financial institutions		**26,407,772**	52,886,977
Customers' deposits		**8,175,919**	52,852,475
Other liabilities		**1,908,356**	(333,906)
Profit payment against lease obligations		**(32,232)**	(40,118)
Net cash generated from operating activities before Zakat		**29,394,421**	9,937,217
Zakat paid	43	**(1,971,690)**	(2,560,423)
Net cash generated from operating activities		**27,422,731**	7,376,794

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman | Chief Executive Officer | Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Cash Flows

(SAR'000)

For the year ended 31 December	Note	2023	2022
Cash flows from investing activities			
Purchase of property and equipment	9	**(3,193,209)**	(2,380,777)
Proceeds from disposal of property and equipment		**441,278**	98,404
Goodwill and other intangible assets		**(467,705)**	(425,867)
Purchase of FVOCI investments		**(14,874,031)**	(154,524)
Proceeds from disposal of FVOCI investments		**11,550**	4,670,175
Proceeds from maturities of investments held at amortised cost		**3,961,479**	10,112,274
Purchase of investments held at amortised cost		**(20,390,840)**	(32,637,882)
Investment in associates		**-**	(487,000)
Purchase of Investment properties		**(23,260)**	(1,058)
Subsidiary acquisition net of cash		**-**	(539,265)
Dividend income received	21	**136,884**	128,097
Rental income from investment properties	21	**98,077**	106,720
Net cash used in investing activities		**(34,299,777)**	(21,510,703)
Cash flows from financing activities			
Dividends paid	25	**(9,600,000)**	-
Tier I Sukuk costs		**(820,678)**	(196,564)
Tier I Sukuk issuance	27	**-**	16,500,000
Payment against lease obligation		**(254,901)**	(267,165)
Sukuk issued	28	**3,789,117**	-
Net cash (used in) / generated from financing activities		**(6,886,462)**	16,036,271
Net (decrease) / increase in cash and cash equivalents		**(13,763,508)**	1,902,362
Cash and cash equivalents at the beginning of the year		**26,199,150**	24,296,788
Cash and cash equivalents at end of the period	29	**12,435,642**	26,199,150
Financing and investment income received during the year		**37,849,749**	26,952,831
Financing and investment return paid during the year		**16,308,742**	4,516,261
Supplemental Non–cash transactions:			
ROU assets		**133,075**	39,583
Lease Liability		**166,677**	62,523
Net change in fair value of FVOCI investments		**297,685**	(705,701)
Remeasurement gain on EOSB		**2,821**	231,824
Investment in associate from subsidiary acquisition		**-**	19,863

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman | Chief Executive Officer | Chief Financial Officer

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

1 - General

a) Incorporation and operation

Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company, (the "Bank"), was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 1407H (corresponding to 23 June 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Bank
8467 King Fahd Road - Al Muruj Dist. Unit No 1
Riyadh 12263 - 2743 Kingdom of Saudi Arabia

The objectives of the Bank are to carry out banking and investment activities in accordance with its Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia through 545 branches (2022: 557) including the branches outside the Kingdom and 20,878 employees (2022: 19,964 employees). The Bank has established certain subsidiary companies (together with the Bank hereinafter referred to as the "Group") in which it owns all of their shares as set out below [Also see Note 2(b)]:

Name of subsidiaries	Shareholding		Description
	2023	2022	
Al Rajhi Capital Company – KSA	**100%**	100%	A Saudi Closed Joint Stock Company authorized by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging, and Custody.
Management and Development for Human Resources Company – KSA	**100%**	100%	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.
Al Rajhi Bank – Kuwait	**100%**	100%	A foreign branch registered with the Central Bank of Kuwait.
Al Rajhi Bank – Jordan	**100%**	100%	A foreign branch operating in Hashemite Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Shari'a rules and under the applicable banking law.
Tuder Real Estate Company – KSA	**100%**	100%	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.

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

1 - General (Continued)

a) Incorporation and operation (Continued)

Name of subsidiaries	Shareholding 2023	Shareholding 2022	Description
Al Rajhi Corporation Limited – Malaysia	**100%**	100%	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Emkan Finance Company – KSA	**100%**	100%	A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.
Tawtheeq Company – KSA	**100%**	100%	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organize contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd- Cyman Islands	**100%**	100%	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
International Digital Solutions Co. (Neoleap) – KSA	**100%**	100%	A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.
Ejada System Limited Co. – KSA	**100%**	100%	A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, and system analysis and senior management consultation services.

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

b) Shari'a Authority

As a commitment from the Bank for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Bank has established a Shari'a Authority to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority has reviewed the Bank's activities and issued the required decisions thereon.

The Bank is regulated by the Saudi Central Bank (SAMA).

2 - Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared

- in compliance with 'International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and
- the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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 January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / Annual General Assembly meeting for their ratification.

(b) Basis of measurement and preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the following items in the consolidated statement of financial position:

- Derivatives are measured at fair value;
- Financial instruments designated as Fair Value through Profit or Loss ("FVIS") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Cash settled share-based payments are measured at fair value; and
- Defined benefit obligations are recognized at the present value of future obligations using the Projected Unit Credit Method,and
- Financial assets or liabilities that are hedged through a fair value hedging relationship, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Group presents its consolidated statement of financial position in order of liquidity.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

(d) 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.

(e) Critical accounting judgments, estimates and assumptions

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

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.

2 - Basis of preparation (Continued)

(e) Critical accounting judgments, estimates and assumptions (Continued)

Significant areas where management has used estimates, assumptions or exercised judgments is as follows:

- Fair value Measurement (note 34)
- Credit Risk Management (note 32.1.a)
- Credit Risk Grades (note 32.1.a.ii)
- Classification of Investments at Amortised Cost (note 3.e. 1)
- Government grant (note 3.c)
- Impairment test of intangible and goodwill (note 10)
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (note 18)

i. Judgement of equity vs liability for Tier I Sukuk

The determination of equity classification of Tier I Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier I 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 sukuk holders 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.

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.

ii. Expected Credit Losses on financial assets

The measurement of impairment losses under IFRS 9 across all 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 such as Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default rate ("LGD"), that are considered accounting judgements and estimates include:

The selection of an estimation technique or modelling that are considered accounting Judgements:

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

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

2 - Basis of preparation (Continued)

iii. Determination of control and significant influence over investees

The control indicators are subject to management's judgements, and are set out in (notes 3.b and 8).

Investment funds management:

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

3 - Material accounting policies

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

a) Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual (consolidated) financial statements for the year ended December 31, 2022. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2023 replacing, amending, or adding to the corresponding accounting policies set out in 2022 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

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

Standard, interpretation and amendments	Description	Effective date
IFRS 17, ('Insurance contracts')	This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts.	1 January 2023
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.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023

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

3 - Material accounting policies (Continued)

a) Changes in accounting policies (Continued)

New standards not yet effective

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	1 January 2025

3 - Material accounting policies (Continued)

b) Government grants

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial 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 - Accounting for Government grant. The government grant is recognised in the statement of income on a systematic basis over the period in which the Group recognises as expenses for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

c) Financial assets and financial liabilities

(1) Classification of financial assets

On initial recognition, a financial asset is classified and measured at: Amortized Cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Statement of Income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Financial Asset at amortised cost:

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

- 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 profit on the principal amount outstanding.

Financial Asset at FVOCI:

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

- 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 profit 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. Profit income and foreign exchange gains and losses are recognised in consolidated statement of income.

An Equity Instrument; the Group on initial recognition,may irrevocably elect to present subsequent changes in fair value in OCI for an equity investment that is not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVIS:

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVIS.

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

Reclassification of financial assets

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

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(1) Classification of financial assets (Continued)

Business model assessment

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

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

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

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

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

Designation at fair value through statement of income
At initial recognition, the Bank has designated certain financial assets at FVIS.

3 - Material accounting policies (Continued)
e) Financial assets and financial liabilities (Continued)
(1) Classification of financial assets (Continued)

The Group deploys profit based products including Mutajara, installment sales and Murabaha to its customers in compliance with Shari'a rules. The Group classifies its Principal financing and Investment as follows:

Financing: These financings represent facilities granted to customers. These financings mainly constitute four broad categories i.e. Mutajara, Installment sales, Murabaha and credit cards. The Group classifies these financings at amortised cost as they are held to collect contractual cash flow and pass SPPP test.

Due from banks and other financial institutions: These consists of placements with financial Institutions (FIs). The Group classifies these balances due from banks and other financial institutions at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Murabaha with SAMA): These investments consists of placements with the Saudi Central Bank (SAMA). The Group classifies these investments at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Sukuk): These investments consists of Investment in various Sukuk. The Group classifies these investments at amortised cost and FVOCI except for those Sukuk which fails SPPP criterion, which are classified at FVIS.

Equity Investments: These are the strategic equity investments which the Group does not expect to sell, for which Group has made an irrevocable election on the date of initial recognition to present the fair value changes in other comprehensive income.

Investments (Mutual Funds): The investments consist of Investments in various Mutual Funds. The Group classifies these investment at FVIS as these investments fail SPPP criterion.

Investments (Structured Products): These investments consists of Investment in various structured product. Structured products are sukuks with an additional embedded feature which could be Range accrual, Credit linked and Floaters. The Group classifies these investments at amortised cost and FVOCI except for those structured products which fails SPPP criterion, which are classified at FVIS.

(2) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Profit Rate "EPR".

All amounts due to banks and other financial institutions and customer deposits are initially recognized at fair value less transaction costs. Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss.

(3) Derecognition

Derecognition of 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 (debt instrument), 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 consolidated statement of income.

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(3) Derecognition(Continued)

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.

Any cumulative gain/loss recognized in OCI, among other reserve, in respect of equity investment securities designated as at FVOCI is not recognized in consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognized in OCI in respect of such equity investment securities are transferred to retained earnings on disposal. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

In certain transactions, the Bank 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.

Derecognition of financial liabilities

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

(4) Modifications of financial assets and financial liabilities

Modified financial assets

If the terms of a financial asset are modified, the Group evaluates whether the contractual cash flows of the modified asset are substantially different. If the contractual cash flows are substantially different than it was originated, 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 and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

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

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(4) Modifications of financial assets and financial liabilities

Modified financial liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognized in consolidated statement of income.

Profit rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of profit rate benchmark reform, then the Group updated the effective Profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, the Group first updated the effective Profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

(5) Impairment

Impairment of financial assets

The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and financing income is subsequently recognised based on a credit-adjusted ("EPR"). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

- Due from banks and other financial institution;
- financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and
- Financing commitments issued.

No impairment loss is recognized on equity at FVOCI investments.

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

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

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(5) Impairment (Continued)

The Group considers Sukuk to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial assets, for which 12-month ECLs are recognized, are referred to as "Stage1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as "Stage 2 financial assets". Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not yet credit-impaired.

Financial assets for which the lifetime ECLs are recognized and that are credit-impaired are referred to as "Stage 3 financial assets".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. It is 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 Group 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 financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

- financial assets other than POCI financial assets and lease receivables: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- Lease receivables: the discount rate used in measuring lease receivables;
- Undrawn financing commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the financing 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.

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

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

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Group categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets;
- Stage 2: Underperforming assets; and
- Stage 3: Credit-impaired assets.

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(5) Impairment (Continued)

The three stage categories of financial assets are more elaborated in (note 32-1-a.v)

To evaluate a range of possible outcomes, the Group formulates various scenarios. For each scenario, the Group derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

For how financial assets and ECLs are allocated among the three credit stages, refer to (note 5) for due from banks and financial institutions, (note 6) for investments, (note 7) for financing facilities, and (note 18) Commitments and contingencies.

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 customer, then an assessment is made of whether the financial asset should be derecognized and then ECLs are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

- The market's assessment of creditworthiness as reflected in the yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of financing being restructured, resulting in holders suffering losses through voluntary or mandatory financing 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 intents, whether there is the capacity to fulfil the required criteria.

3 - Material accounting policies (Continued)
e) Financial assets and financial liabilities (Continued)
(5) Impairment (Continued)

POCI financial assets

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

Credit cards and other revolving facilities

The Bank's products offering include a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade,but greater emphasis is also given to qualitative factors such as changes in usage.

The profit rate used to discount the ECL for credit cards is based on the average effective profit rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged profit. 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.

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

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing 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
- financing commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financing and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses, net" in the consolidated statement of income

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

3 - Material accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(5) Impairment (Continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or market securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. 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 Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations, 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 in the consolidated Statement of financial position.

(6) Financial guarantees and financing commitments, letters of credit

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

The premium received is recognised in the consolidated income statement in net fees and yield income on a straight line basis over the life of the guarantee.

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

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

Financial guarantees issued or financing commitments to provide financing at a below market profit rate are initially measured at fair value. Subsequently, they are measured at the higher of the ECL determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15.

- The Bank issued no financing commitments that are measured at FVIS.
- Liabilities arising from financial guarantees and financing commitments are included within provisions.

3 - Material accounting policies (Continued)

f) Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts, profit rate swaps and FX swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments 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. In the ordinary course of business, the Group utilises the following derivative financial instruments for trading purposes:

i. Derivatives held for trading

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

ii. Hedge Accounting

As indicated in the accounting policies below, the Group elected to account for hedge accounting under IFRS 9.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

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

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

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

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the 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 recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

3 - Material accounting policies (Continued)

f) Derivative financial instruments (Continued)

ii. Hedge Accounting (Continued)

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

iii. Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors and 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 established the level of profit rate risk by setting limits on profit rate gaps for stipulated periods. Asset and liability profit rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce profit rate gap within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging, other than portfolio hedges for profit rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses profit rate swaps and profit rate futures to hedge against the profit rate risk arising from specifically identified fixed profit-rate exposures.

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

Possible sources of ineffectiveness are as follows:

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

3 - Material accounting policies (Continued)

f) Derivative financial instruments

iv. Embedded derivatives

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

(a) the host contract is not an asset in the scope of IFRS 9;

(b) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and

(c) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value. with all changes in fair value recognized in statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

g) Revenue recognition

The following specific recognition criteria must be met before revenue is recognized.

Income from Mutajara, Murabaha; investments held at amortized cost, Installment sale and credit cards services is recognized based on the effective profit rate basis on the outstanding balances. The effective profit rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective yield, the Group estimates future cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees from banking services are recognized when the service has been provided.

Fees that are integral to the effective profit rate on a financial asset or financial liability are included in the effective Gross financing and investment income / return as applicable.

Financing commitment fees; that are likely to be drawn down and other facility related fees are deferred above certain threshold and, together with the related direct cost, are recognized as an adjustment to the yeiled using the effective profit rate on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognised on a straight-line basis over the commitment period.

Fees from banking services; Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, at a point in time or over the period when the service is being provided i.e. related performance obligation is satisfied.

Fees received for asset management and brokerage activities; wealth Management, financial planning, custody services, capital market trading brokerage services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided i.e. related performance obligation is satisfied. Asset management fees related to investment funds are recognized over the period the service is being provided. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognized. Wealth management and custody services fees that are continuously recognized over a period of time.

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

Foreign currency exchange income / loss; is recognized when earned / incurred.

Net trading income; results from trading activities and include all realised and unrealised gains and losses from changes in fair value and related gross investment income or expense, dividends for financial assets and financial liabilities held for trading and foreign exchange differences.

3 - Material accounting policies (Continued)

g) Revenue 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 payment service system, share trading services, remittance business, SADAD and Mudaraba (i.e. subscription, management and performance fees), should be recognized at the point when services are rendered i.e. when performance obligation is satisfied.

k) Customers' deposits

Customer deposits are financial liabilities that are initially recognized at fair value less transaction cost, being the fair value of the consideration received, and are subsequently measured at amortized cost.

l) Repurchase agreements and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repurchase agreements) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership, and are measured in accordance with related accounting policies for investments. The transactions are treated as a collateralized financing and the counter party liability for amounts received under these agreements is included in due to banks and other financial institutions, as appropriate. The difference between the sale and repurchase price is treated as financing and investment expense and recognized over the life of the repurchase agreement on an effective yield basis.

Underlying assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the underlying assets. Amounts paid under these agreements are included in cash and balances with SAMA. The difference between the purchase and resale price is treated as Income from investments and financing and recognized over the life of the reverse repurchase agreement on an effective profit basis.

m) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 'cash and cash equivalents' include notes and coins on hand, balances with SAMA (excluding statutory deposits) and due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position

n) Share-based payments

The Group's founders had established a share-based compensation plan under which the entity receives services from the eligible employees as consideration for equity instruments of the Group which are granted to the employees.

o) Mudaraba funds

The Group manages out Mudaraba transactions on behalf of its customers, and are treated by the Group as being restricted investments. These are included as off balance sheet items. The Group's share of profits from managing such funds is included in the Group's consolidated statement of income.

3 - Material accounting policies (Continued)

p) Foreign Currencies

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

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Group's functional currency. Each subsidiary determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency.

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

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective profit rate and payments during the year and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of comprehensive income.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised in OCI. The monetary assets and liabilities of foreign subsidiaries are translated into SAR at rates of exchange prevailing at the date of the consolidated statement of financial position. The statements of income of foreign subsidiaries are translated at the weighted average exchange rates for the year.

q) Day 1 profit or loss

Where a transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

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

3 - Material accounting policies (Continued)

v) Day 1 profit or loss (Continued)

• its accounting policy for recognizing in statement of income the difference between the fair value at initial recognition, and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability.
• The aggregate difference yet to be recognized in statement of income at the beginning and end of the period and a reconciliation of changes in balance of this difference.

w) Trade date

All regular way purchases and sales of financial assets are recognized and derecognized on the trade date (i.e. the date on which the Group commits to purchase or sell the assets). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through statement of income) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

x) Offsetting financial instruments

Financial assets and financial liabilities are offset and are reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts, and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

y) Customer loyalty programs

The Group offers customer loyalty programs referred to as reward points, which allows customers to earn points that can be redeemed through certain partner outlets. The Group allocates a portion of the transaction price to the reward points awarded to members, based on estimates of costs of future redemptions. The amount of expense allocated to reward points is charged to the consolidated statement of income with a corresponding liability recognized in other liabilities. The cumulative amount of the liability related to unredeemed reward points is adjusted over time based on actual redemption experience and current and expected trends with respect to future redemptions.

z) Zakat and taxes

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the consolidated statement of income. ZATCA has prescribed a new methodology for calculation on Zakat of financing activities effective January 1, 2019, where previously the Zakat was treated in the consolidated statement of changes in equity. Due accruals have been made for the obligation as at December 31, 2020. Zakat is not accounted for as an income tax and as such no deferred tax assets and liabilities are calculated relating to Zakat.

- Value Added tax ("VAT")

The Group is a taxpayer for value added tax as per the Saudi law and its responsibilityto collect VAT Output from the customers for qualifying services provided, and makes VAT Input payments to its vendors for qualifying payments. On a monthly basis, the 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.

3 - Material accounting policies (Continued)
z) Zakat and taxes (Continued)

- Withholding tax

Withholding tax is subject to any payment to non-resident vendors for services rendered and goods purchased with certain criteria and rate according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

aa) Investment management services

The Group provides investment management services to its customers, through its subsidiary which include management of certain mutual funds. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the Group's consolidated financial statements. The Group's share of these funds is included under FVIS investments. Fees earned are disclosed in the consolidated statement of income.

bb) Bank's products definition

The Group provides its customers with banking products based on interest avoidance concept and in accordance with Shari'a regulations. The following is a description of some of the financing products:

Mutajara financing:
It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, accordingly the client becomes debtor to the Group with the sale amount and for the period agreed in the contract

Installment sales financing:
It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price. Accordingly the client becomes a debtor to the Group with the sale amount to be paid through installments as agreed in the contract.

Murabaha financing:
It is a financing agreement whereby the Group purchases a commodity or asset and sells it to the client with a price representing the purchase price plus a profit known and agreed by the client which means that the client is aware of the cost and profit separately.

cc) Profit sharing investment account (PSIA)

The Bank offers unrestricted investment accounts based on fully sharia compliant concept.

In Mudarabah based accounts, the Bank (Mudarib) manages Investment Account holders' ("IAH") funds along with its own share of investment by investing through unrestricted joint investment pools. Funds from these pools are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.

Under Wakala arrangement, Bank accepts funds from investors ("Muwakil) as Wakeel and invests in Sharia compliant assets. Expected profit payout is mentioned to investors upfront while any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel bears the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss is borne by the investor or Muwakil. The Bank maintains necessary profit equalization reserves as required by SAMA.

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

3 - Material accounting policies (Continued)

cc) Profit sharing investment account (PSIA) (Continued)

Any profits accrued from the pool investments are shared between the Bank and IAH on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank relating to the Pools are charged to Pools. In case of loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

The 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.

4 - Cash and balances with Central Banks

Cash and balances with Saudi Central Bank ("SAMA") and other central banks comprise of the following:

	2023	2022
Cash in hand	**6,502,729**	6,672,064
Statutory deposit	**35,008,098**	32,919,235
Balances with central banks (current accounts)	**256,814**	408,197
Mutajara with SAMA	**-**	2,053,000
Total	**41,767,641**	42,052,496

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other central banks at stipulated percentages of its deposits liabilities calculated on monthly averages at the end of reporting period.

The above statutory deposits are not available to finance the Group's day-to-day operations and therefore are not considered as part of cash and cash equivalents (note 29) when preparing the consolidated statement of cash flows.

All these balances are stage 1.

5 - Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

	2023	2022
Current accounts	**3,179,877**	4,765,889
Mutajara	**6,331,071**	20,894,850
Less: Allowance for expected credit losses	**(4,275)**	(4,810)
Total	**9,506,673**	25,655,929

2023	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
Investment grade (credit rating AAA to BBB)	**7,926,017**	**(1,798)**	**7,924,219**
Non-investment grade (credit rating BB+ to B-)	**589,996**	**(2,465)**	**587,531**
Unrated	**994,935**	**(12)**	**994,923**
Total	**9,510,948**	**(4,275)**	**9,506,673**

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

5 - Due from banks and other financial institutions, net (Continued)

2022	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
Investment grade (credit rating AAA to BBB)	**25,104,205**	**(4,810)**	**25,099,395**
Non-investment grade (credit rating BB+ to B-)	**478,459**	**-**	**478,459**
Unrated	**78,075**	**-**	**78,075**
Total	**25,660,739**	**(4,810)**	**25,655,929**

The credit quality of due from banks and other financial institutions is managed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired and are classified in stage 1. There were no movements in staging during year.

6 - Investments, net

(a) Investments comprise the following:

	2023	2022
Investments held at amortized cost		
Murabaha with Saudi Government and SAMA	**20,067,953**	22,696,693
Sukuk	**87,962,033**	70,608,347
Structured Products	**2,941,573**	1,033,894
Less: Impairment	**(70,234)**	(43,294)
Total investments held at amortized cost	**110,901,325**	94,295,640
Investments held as FVIS		
Mutual funds	**2,525,681**	2,214,056
Sukuk	**122,374**	159,591
Structured Products	**785,242**	737,551
Equity investments	**118,803**	156,613
Total FVIS investments	**3,552,100**	3,267,811
FVOCI investments		
Sukuk	**14,535,530**	2,132,880
Structured Products	**1,106,286**	111,438
Equity investments*	**3,282,168**	1,517,874
Less: Impairment	**(1,844)**	(218)
Total FVOCI investments	**18,922,140**	3,761,974
Investments, net	**133,375,565**	101,325,425

The Bank, under repurchase agreements, pledges with other banks sukuk securities that include government sukuk. The fair values of those sukuk pledged as collateral with financial institutions as at 31 December 2023 is SAR 78,556 million (31 December 2022: 71,567 million) and the related balances of the repurchase agreements pledge is SAR 33,345 million (31 December 2022: 52,269 million).

The designated FVIS investments included above are designated upon initial recognition as FVIS and are in accordance with the documented risk management strategy of the Group.

*The Group holds SAR 2,360 million (31 December 2022: 1,159 million) in investments in Tier I Sukuk out of the total Equity investments.

All investments held at amortized cost are neither past due nor impaired as of 31 December 2023 and 2022, and are classified in stage 1. There were no movements in staging during year.

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

6 - Investments, net (Continued)

(a) Investments comprise the following:

The Bank has consolidated two international mutual funds where the Bank owns 100% of the two funds equity. The investments of these funds are included in the above note and accounted for as fair value through income statement.

Equity investment securities designated as at FVOCI

The Group has designated investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

(b) The analysis of the composition of investments as of 31 December is as follows:

2023	Quoted	Unquoted	Total
Murabaha with Saudi Government and SAMA	**-**	**20,067,953**	**20,067,953**
Sukuk	**86,412,338**	**16,135,521**	**102,547,859**
Structured Products	**-**	**4,833,101**	**4,833,101**
Equity investments	**1,867,370**	**1,533,601**	**3,400,971**
Mutual Funds	**32,373**	**2,493,308**	**2,525,681**
Total	**88,312,081**	**45,063,484**	**133,375,565**

2022	Quoted	Unquoted	Total
Murabaha with Saudi Government and SAMA	-	22,696,693	22,696,693
Sukuk	64,238,386	8,618,920	72,857,306
Structured Products	-	1,882,883	1,882,883
Equity investments	960,221	714,266	1,674,487
Mutual Funds	24,690	2,189,366	2,214,056
Total	65,223,297	36,102,128	101,325,425

(c) Credit quality of investments

	2023	2022
Murabaha with Saudi Government and SAMA	**20,067,953**	22,696,693
Sukuk - Investment grade	**91,071,834**	65,170,442
Structured Products - Investment grade	**4,833,102**	1,882,883
Sukuk – Non Investment grade	**5,640,904**	4,546,669
Sukuk unrated	**5,835,120**	3,140,195
Total	**127,448,913**	97,436,882

Investment Grade includes those investments having credit exposure equivalent to rating of AAA to BBB-. Non-investment Grade includes those investments having credit exposure equivalent to rating of BB+ to B+. The unrated category only comprise of unquoted sukuk. Fitch has assigned A- rating to KSA as a country as at 31 December 2023 (31 December 2022: A).

(d) The following is an analysis of investments according to counterparties as at 31 December:

	2023	2022
Government and quasi government	**103,069,461**	81,956,794
Banks and other financial institutions	**16,217,496**	8,280,412
Companies	**11,635,005**	8,917,675
Mutual funds	**2,525,681**	2,214,056
Less: Impairment	**(72,078)**	(43,512)
Total	**133,375,565**	101,325,425

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

6 - Investments, net (Continued)

(e) The domestic and international allocation of the Group's investments are summarized as follows:

31 December 2023	Domestic	International	Total
Investments held at amortized cost:			
Fixed-rate Sukuk	**71,407,909**	**10,401,339**	**81,809,248**
Floating-rate Sukuk	**26,220,738**	**-**	**26,220,738**
Structured products	**-**	**2,941,573**	**2,941,573**
Less: Impairment	**(68,634)**	**(1,600)**	**(70,234)**
Total investments held at amortized cost	**97,560,013**	**13,341,312**	**110,901,325**
Investments held as FVIS			
Mutual funds	**1,394,488**	**1,131,193**	**2,525,681**
Fixed-rate Sukuk	**104,374**	**-**	**104,374**
Floating-rate Sukuk	**18,000**	**-**	**18,000**
Structured Products	**-**	**785,242**	**785,242**
Equity investments	**118,803**	**-**	**118,803**
Total FVIS investments	**1,635,665**	**1,916,435**	**3,552,100**
Investments held as FVOCI:			
Fixed-rate Sukuk	**8,977,025**	**3,806,257**	**12,783,282**
Floating-rate Sukuk	**1,381,735**	**370,513**	**1,752,248**
Structured Products	**-**	**1,106,286**	**1,106,286**
Equity investments	**3,261,261**	**20,907**	**3,282,168**
Less: Impairment	**-**	**(1,844)**	**(1,844)**
Total FVOCI investments	**13,620,021**	**5,302,119**	**18,922,140**
Investments, net	**112,815,699**	**20,559,866**	**133,375,565**

31 December 2022	Domestic	International	Total
Investments held at amortized cost:			
Fixed-rate Sukuk	58,884,434	6,985,606	65,870,040
Floating-rate Sukuk	27,435,000	-	27,435,000
Structured products	500,000	533,894	1,033,894
Less: Impairment	(42,321)	(973)	(43,294)
Total investments held at amortized cost	86,777,113	7,518,527	94,295,640
Investments held as FVIS:			
Mutual funds	1,268,196	945,860	2,214,056
Fixed-rate Sukuk	159,591	-	159,591
Structured Products	462,099	275,452	737,551
Equity investments	156,613	-	156,613
Total FVIS investments	2,046,499	1,221,312	3,267,811
Investments held as FVOCI:			
Fixed-rate Sukuk	573,344	1,327,536	1,900,880
Floating-rate Sukuk	232,000	-	232,000
Structured Products	-	111,438	111,438
Equity investments	1,496,967	20,907	1,517,874
Less: Impairment	-	(218)	(218)
Total FVOCI investments	2,302,311	1,459,663	3,761,974
Investments, net	91,125,923	10,199,502	101,325,425

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

7 - Financing, net

(a) Net financing held at amortized cost:

2023	**Performing**	**Non-performing**	**Allowance for impairment**	**Net financing**
Mutajara	**140,942,388**	**1,915,703**	**(2,603,838)**	**140,254,253**
Installment sale	**430,775,863**	**1,840,989**	**(5,175,817)**	**427,441,035**
Murabaha	**21,230,777**	**501,410**	**(750,231)**	**20,981,956**
Credit cards	**5,683,776**	**39,837**	**(196,051)**	**5,527,562**
Total	**598,632,804**	**4,297,939**	**(8,725,937)**	**594,204,806**

2022	Performing	Non-performing	Allowance for impairment	Net financing
Mutajara	119,146,700	674,135	(3,001,746)	116,819,089
Installment sale	427,887,058	2,350,467	(4,616,095)	425,621,430
Murabaha	21,264,015	533,281	(770,383)	21,026,913
Credit cards	4,983,282	28,052	(140,652)	4,870,682
Total	573,281,055	3,585,935	(8,528,876)	568,338,114

(b) The net financing by location, inside and outside the Kingdom of Saudi Arabia, as of 31 December is as follows:

2023	**Mutajara**	**Installment sale**	**Murabaha**	**Credit cards**	**Total**
Inside the Kingdom of Saudi Arabia	**140,729,593**	**427,073,984**	**14,976,580**	**5,700,726**	**588,480,883**
Outside the Kingdom of Saudi Arabia	**2,128,498**	**5,542,868**	**6,755,607**	**22,887**	**14,449,860**
Gross financing	**142,858,091**	**432,616,852**	**21,732,187**	**5,723,613**	**602,930,743**
Allowance for impairment	**(2,603,838)**	**(5,175,817)**	**(750,231)**	**(196,051)**	**(8,725,937)**
Net financing	**140,254,253**	**427,441,035**	**20,981,956**	**5,527,562**	**594,204,806**

2022	Mutajara	Installment sale	Murabaha	Credit cards	Total
Inside the Kingdom of Saudi Arabia	118,343,275	425,184,304	15,439,881	4,993,000	563,960,460
Outside the Kingdom of Saudi Arabia	1,477,560	5,053,221	6,357,415	18,334	12,906,530
Gross financing	119,820,835	430,237,525	21,797,296	5,011,334	576,866,990
Allowance for impairment	(3,001,746)	(4,616,095)	(770,383)	(140,652)	(8,528,876)
Net financing	116,819,089	425,621,430	21,026,913	4,870,682	568,338,114

(c) The table below depicts the categories of financing as per main business segments at 31 December:

2023	**Retail**	**Corporate**	**Total**
Mutajara	**4,742,139**	**138,115,952**	**142,858,091**
Installment sale	**419,695,296**	**12,921,556**	**432,616,852**
Murabaha	**2,520,813**	**19,211,374**	**21,732,187**
Credit cards	**5,694,828**	**28,785**	**5,723,613**
Gross financing	**432,653,076**	**170,277,667**	**602,930,743**
Less: Allowance for impairment	**(5,413,893)**	**(3,312,044)**	**(8,725,937)**
Total	**427,239,183**	**166,965,623**	**594,204,806**

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

7 - Financing, net (Continued)

(c) The table below depicts the categories of financing as per main business segments at 31 December: (Continued)

2022	Retail	Corporate	Total
Mutajara	5,679,406	114,141,429	119,820,835
Installment sale	421,178,785	9,058,740	430,237,525
Murabaha	2,964,586	18,832,710	21,797,296
Credit cards	4,997,435	13,899	5,011,334
Gross financing	434,820,212	142,046,778	576,866,990
Less: Allowance for impairment	(4,804,384)	(3,724,492)	(8,528,876)
Total	430,015,828	138,322,286	568,338,114

(d) The table below summarizes financing balances at 31 December that are neither past due nor impaired, past due but not impaired and impaired, as per the main business segments of the Group:

2023	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**	**Allowance for impairment**	**Net financing**
Retail	**419,979,579**	**11,219,051**	**1,454,446**	**432,653,076**	**(5,413,893)**	**427,239,183**
Corporate	**165,669,997**	**1,764,177**	**2,843,493**	**170,277,667**	**(3,312,044)**	**166,965,623**
Total	**585,649,576**	**12,983,228**	**4,297,939**	**602,930,743**	**(8,725,937)**	**594,204,806**

2022	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Allowance for impairment	Net financing
Retail	423,157,781	9,766,079	1,896,505	434,820,212	(4,804,384)	430,015,828
Corporate	138,848,183	1,509,012	1,689,430	142,046,778	(3,724,492)	138,322,286
Total	562,005,964	11,275,091	3,585,935	576,866,990	(8,528,876)	568,338,114

Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. 'Neither past due nor impaired' and 'past due but not impaired' comprise total performing financing.

(e) The movement in the allowance for impairment of financing is as follows:

2023	**Retail**	**Corporate**	**Total**
Balance at the beginning of the year	**4,804,384**	**3,724,492**	**8,528,876**
Provided for the year	**3,263,594**	**18,113**	**3,281,707**
Bad debt written off	**(2,654,085)**	**(430,561)**	**(3,084,646)**
Balance at the end of the year	**5,413,893**	**3,312,044**	**8,725,937**

2022	Retail	Corporate	Total
Balance at the beginning of the year	5,201,431	4,497,941	9,699,372
Provided for the year	2,288,338	1,023,826	3,312,164
Bad debt written off	(2,685,385)	(1,797,275)	(4,482,660)
Balance at the end of the year	4,804,384	3,724,492	8,528,876

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

7 - Financing, net (Continued)

(f) The Impairment charge movement

The details of the impairment charge on financing and other financial assets for the year recorded in the consolidated statement of income is as follows:

	2023	2022
Provided for the year for Financing	**3,281,707**	3,312,164
Provided for the year for other financing assets & off balance sheet	**(151,963)**	36,112
Recovery of written off financing, net	**(1,625,566)**	(1,347,017)
Allowance for financing impairment, net	**1,504,178**	2,001,259

(g) The movement of financing by stages is as follows:

	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Financing				
At 1 January 2023	**562,049,635**	**9,576,654**	**5,240,701**	**576,866,990**
Transfers:				
Transfer to 12-month ECL	**2,958,084**	**(2,520,595)**	**(437,489)**	**-**
Transfer to Lifetime ECL not credit impaired	**(8,380,043)**	**8,468,850**	**(88,807)**	**-**
Transfer to Lifetime ECL credit impaired	**(3,057,920)**	**(1,252,129)**	**4,310,049**	**-**
Write-offs	**-**	**-**	**(3,084,646)**	**(3,084,646)**
New business/ Other movements	**27,986,871**	**(355,715)**	**1,517,243**	**29,148,399**
At 31 December 2023	**581,556,627**	**13,917,065**	**7,457,051**	**602,930,743**

	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2022	448,294,309	9,557,878	4,677,842	462,530,029
Transfers:				
Transfer to 12-month ECL	1,968,259	(1,923,214)	(45,045)	-
Transfer to Lifetime ECL not credit impaired	(5,034,653)	5,268,310	(233,657)	-
Transfer to Lifetime ECL credit impaired	(1,108,367)	(1,664,680)	2,773,047	-
Write-offs	-	-	(4,482,660)	(4,482,660)
New business/ Other movements	117,930,087	(1,661,640)	2,551,174	118,819,621
At 31 December 2022	562,049,635	9,576,654	5,240,701	576,866,990

Closing balance of Lifetime ECL credit impaired differs from total reported Non-Performing financing due to IFRS 9 implementation.

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

7 - Financing, net (Continued)

(h) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by:

(1) Retail Segment

	Gross carrying amount as of 31 December 2023			
Retail	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Financing				
At 1 January 2023	**426,179,423**	**5,328,999**	**3,311,790**	**434,820,212**
Transfers:				
Transfer to 12-month ECL	**2,503,265**	**(2,097,977)**	**(405,288)**	**-**
Transfer to Lifetime ECL not credit impaired	**(6,341,031)**	**6,418,160**	**(77,129)**	**-**
Transfer to Lifetime ECL credit impaired	**(1,721,325)**	**(774,729)**	**2,496,054**	**-**
Write-offs	**-**	**-**	**(2,654,086)**	**(2,654,086)**
New business/ Other movements	**(1,075,458)**	**(109,514)**	**1,671,922**	**486,950**
At 31 December 2023	**419,544,874**	**8,764,939**	**4,343,263**	**432,653,076**

	Gross carrying amount as of 31 December 2022			
Retail	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2022	363,935,472	4,348,687	2,666,621	370,950,780
Transfers:				
Transfer to 12-month ECL	1,799,178	(1,769,873)	(29,305)	-
Transfer to Lifetime ECL not credit impaired	(3,877,345)	4,051,418	(174,073)	-
Transfer to Lifetime ECL credit impaired	(703,685)	(656,966)	1,360,651	-
Write-offs	-	-	(2,685,385)	(2,685,385)
New business/ Other movements	65,025,803	(644,267)	2,173,281	66,554,817
At 31 December 2022	426,179,423	5,328,999	3,311,790	434,820,212

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

7 - Financing, net (Continued)

(h) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by: (Continued)

(2) Corporate Segment

	Gross carrying amount as of 31 December 2023			
Corporate	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Financing				
At 1 January 2023	**135,870,212**	**4,247,655**	**1,928,911**	**142,046,778**
Transfers:				
Transfer to 12-month ECL	**454,819**	**(422,618)**	**(32,201)**	**-**
Transfer to Lifetime ECL not credit impaired	**(2,039,012)**	**2,050,690**	**(11,678)**	**-**
Transfer to Lifetime ECL credit impaired	**(1,336,595)**	**(477,400)**	**1,813,995**	**-**
Write-offs	**-**	**-**	**(430,561)**	**(430,561)**
New business/ Other movements	**29,062,330**	**(246,201)**	**(154,679)**	**28,661,450**
At 31 December 2023	**162,011,754**	**5,152,126**	**3,113,787**	**170,277,667**

	Gross carrying amount as of 31 December 2022			
Corporate	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2022	84,358,837	5,209,191	2,011,221	91,579,249
Transfers:				
Transfer to 12-month ECL	169,081	(153,341)	(15,740)	-
Transfer to Lifetime ECL not credit impaired	(1,157,308)	1,216,892	(59,584)	-
Transfer to Lifetime ECL credit impaired	(404,682)	(1,007,714)	1,412,396	-
Write-offs	-	-	(1,797,275)	(1,797,275)
New business/ Other movements	52,904,284	(1,017,373)	377,893	52,264,804
At 31 December 2022	135,870,212	4,247,655	1,928,911	142,046,778

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

7 - Financing, net (Continued)

(i) The movement in ECL allowances for impairment of financing by stages is as follows:

	Credit loss allowance as of 31 December 2023			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
ECL allowances for impairment of financing				
At 1 January 2023	**3,276,243**	**1,714,791**	**3,537,842**	**8,528,876**
Transfers:				
Transfer to 12-month ECL	**570,806**	**(305,258)**	**(265,548)**	**-**
Transfer to Lifetime ECL not credit impaired	**(142,704)**	**198,965**	**(56,261)**	**-**
Transfer to Lifetime ECL credit impaired	**(69,182)**	**(274,180)**	**343,362**	**-**
Write-offs	**-**	**-**	**(3,084,647)**	**(3,084,647)**
Net Charge for the year	**(1,111,259)**	**360,747**	**4,032,220**	**3,281,708**
At 31 December 2023	**2,523,904**	**1,695,065**	**4,506,968**	**8,725,937**

	Credit loss allowance as of 31 December 2022			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2022	3,712,975	2,326,414	3,659,983	9,699,372
Transfers:				
Transfer to 12-month ECL	549,956	(527,427)	(22,529)	-
Transfer to Lifetime ECL not credit impaired	(315,415)	433,896	(118,481)	-
Transfer to Lifetime ECL credit impaired	(149,722)	(626,937)	776,659	-
Write-offs	-	-	(4,482,660)	(4,482,660)
Net Charge for the year	(521,551)	108,845	3,724,870	3,312,164
At 31 December 2022	3,276,243	1,714,791	3,537,842	8,528,876

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

7 - Financing, net (Continued)

(j) The ECL movements of the three credit quality stages of financing held at amortized cost of:

(1) Retail Segment:

	Credit loss allowance as of 31 December 2023			
Retail	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2023	**1,886,754**	**892,694**	**2,024,936**	**4,804,384**
Transfers:				
Transfer to 12-month ECL	**511,499**	**(262,456)**	**(249,043)**	**-**
Transfer to Lifetime ECL not credit impaired	**(89,389)**	**138,776**	**(49,387)**	**-**
Transfer to Lifetime ECL credit impaired	**(35,188)**	**(199,895)**	**235,083**	**-**
Write-offs	**-**	**-**	**(2,654,085)**	**(2,654,085)**
Net Charge for the year	**(434,856)**	**600,298**	**3,098,152**	**3,263,594**
At 31 December 2023	**1,838,820**	**1,169,417**	**2,405,656**	**5,413,893**

	Credit loss allowance as of 31 December 2022			
Retail	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2022	2,301,583	1,017,372	1,882,476	5,201,431
Transfers:				
Transfer to 12-month ECL	528,846	(514,458)	(14,388)	-
Transfer to Lifetime ECL not credit impaired	(284,776)	386,605	(101,829)	-
Transfer to Lifetime ECL credit impaired	(135,360)	(388,562)	523,922	-
Write-offs	-	-	(2,685,385)	(2,685,385)
Net Charge for the year	(523,539)	391,737	2,420,140	2,288,338
At 31 December 2022	1,886,754	892,694	2,024,936	4,804,384

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

7 - Financing, net (Continued)

(j) The ECL movements of the three credit quality stages of financing held at amortized cost of: (Continued)

(2) Corporate Segment:

Corporate	Credit loss allowance as of 31 December 2023 Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2023	**1,389,489**	**822,097**	**1,512,906**	**3,724,492**
Transfers:				
Transfer to 12-month ECL	**59,307**	**(42,802)**	**(16,505)**	**-**
Transfer to Lifetime ECL not credit impaired	**(53,315)**	**60,189**	**(6,874)**	**-**
Transfer to Lifetime ECL credit impaired	**(33,994)**	**(74,285)**	**108,279**	**-**
Write-offs	**-**	**-**	**(430,561)**	**(430,561)**
Net Charge for the year	**(676,404)**	**(239,551)**	**934,068**	**18,113**
At 31 December 2023	**685,083**	**525,648**	**2,101,313**	**3,312,044**

Corporate	Credit loss allowance as of 31 December 2022 Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2022	1,411,392	1,309,042	1,777,507	4,497,941
Transfers:				
Transfer to 12-month ECL	21,110	(12,969)	(8,141)	-
Transfer to Lifetime ECL not credit impaired	(30,639)	47,291	(16,652)	-
Transfer to Lifetime ECL credit impaired	(14,362)	(238,375)	252,737	-
Write-offs	-	-	(1,797,275)	(1,797,275)
Net Charge for the year	1,988	(282,892)	1,304,730	1,023,826
At 31 December 2022	1,389,489	822,097	1,512,906	3,724,492

(k) Installment sale under financing includes finance lease receivables, which are as follows:

	2023	2022
Gross receivables from finance leases		
Less than 1 year	**252,224**	1,946,998
1 to 5 years	**25,318,310**	21,269,416
Over 5 years	**10,285,552**	9,610,841
	35,856,086	32,827,255
Unearned future finance income on finance leases	**(4,641,683)**	(4,096,161)
Expect credit loss from finance leases	**(823,840)**	(782,783)
Net receivables from finance leases	**30,390,563**	27,948,311

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

8 - Investments in associates

Investment in associate	**2023**	2022
Balance at the beginning of the year	**820,717**	295,253
Investment made during the year	**-**	506,863
Dividends during the year	**(3,870)**	(2,952)
Share in earnings, net	**106,199**	21,553
Balance at end of the Year	**923,046**	820,717

The Group owns 35% (31 December 2022: 35%) shares of Al Rajhi Company for Cooperative Insurance, a Saudi Joint Stock Company. The market value as of 31 December 2023 is SAR 799 million.

The Group owns 32.7% (31 December 2022: 32.7%) shares of Versatile Solutions Company Limited.

9 - Property, equipment, and right of use assets, net

Property, equipment, and right of use assets net comprises the following as of 31 December:

	Land	Buildings	Leasehold land & buildings improvements	Equipment and furniture	Right-of-Use assets	Total
COST						
At 1 January 2022	2,436,773	6,192,350	1,639,390	6,243,329	1,553,885	18,065,727
Additions	179,472	502,188	568	1,698,549	64,936	2,445,713
Disposals	(1,005)	-	(23,365)	(192,402)	(25,353)	(242,125)
At 31 December 2022	2,615,240	6,694,538	1,616,593	7,749,476	1,593,468	20,269,315
Additions	**45,752**	**300,873**	**256,617**	**2,589,967**	**145,434**	**3,338,643**
Disposals	**-**	**(118)**	**(339,443)**	**(171,485)**	**(12,359)**	**(523,405)**
At 31 December 2023	**2,660,992**	**6,995,293**	**1,533,767**	**10,167,958**	**1,726,543**	**23,084,553**
ACCUMULATED DEPRECIATION						
At 1 January 2022	-	1,097,354	1,099,110	5,058,037	663,538	7,918,039
Charge for the year	-	143,588	1,831	741,853	244,865	1,132,137
Disposals	-	-	(5,320)	(113,790)	(533)	(119,643)
At 31 December 2022	-	1,240,942	1,095,621	5,686,100	907,870	8,930,533
Charge for the year	**-**	**162,049**	**3,306**	**982,124**	**233,386**	**1,380,865**
Disposals	**-**	**(1)**	**-**	**(79,367)**	**(251)**	**(79,619)**
At 31 December 2023	**-**	**1,402,990**	**1,098,927**	**6,588,857**	**1,141,005**	**10,231,779**
Net Book Value						
At 31 December 2023	**2,660,992**	**5,592,303**	**434,840**	**3,579,101**	**585,538**	**12,852,774**
At 31 December 2022	2,615,240	5,453,596	520,972	2,063,376	685,598	11,338,782

Leasehold land & buildings improvements include work-in-progress amounting to SAR 135 million as at 31 December 2023 (2022: SAR 253 million).

Right-of-use assets include land and buildings for ATMs and Branches.

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

10 - Goodwill and other intangibles, net

	Goodwill	Intangibles	Total
COST			
At 1 January 2022	-	846,598	846,598
Additions	248,733	599,027	847,760
Disposals	-	(1,011)	(1,011)
At 31 December 2022	248,733	1,444,614	1,693,347
Additions	**-**	**471,745**	**471,745**
Disposals	**-**	**(4,100)**	**(4,100)**
At 31 December 2023	**248,733**	**1,912,259**	**2,160,992**
ACCUMULATED AMORTISATION			
At 1 January 2022	-	328,487	328,487
Charge for the year	**-**	**111,292**	**111,292**
Impairment loss	**-**	**39,021**	**39,021**
Disposals	**-**	**-**	**-**
At 31 December 2022	**-**	**478,800**	**478,800**
Charge for the year	**-**	**171,684**	**171,684**
Impairment loss	**-**	**-**	**-**
Disposals	**-**	**(60)**	**(60)**
At 31 December 2023	**-**	**650,424**	**650,424**
Net Book Value			
At 31 December 2023	**248,733**	**1,261,835**	**1,510,568**
At 31 December 2022	248,733	965,814	1,214,547

11 - Investment properties, net

	Land	Buildings	Total
COST			
At 1 January 2022	894,423	650,752	1,545,175
Additions	-	1,058	1,058
Disposals	-	-	-
At 31 December 2022	894,423	651,810	1,546,233
Additions	**-**	**23,587**	**23,587**
Disposals	**-**	**(327)**	**(327)**
At 31 December 2023	**894,423**	**675,070**	**1,569,493**
ACCUMULATED DEPRECIATION			
At 1 January 2022	-	133,706	133,706
Charge for the year	-	47,669	47,669
At 31 December 2022	-	181,375	181,375
Charge for the year	**-**	**25,460**	**25,460**
At 31 December 2023	**-**	**206,835**	**206,835**
Net Book Value			
At 31 December 2023	**894,423**	**468,235**	**1,362,658**
At 31 December 2022	894,423	470,435	1,364,858

The fair value of the investment properties as at 31 December 2023 is SAR 1.5 billion (31 December 2022:SAR 1.4 Billion)

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

12 - Other Assets, net

Other assets, net comprise the following:

	2023	2022
Receivables, net	**2,078,794**	1,560,233
Value added taxes (VAT)	**1,036,736**	1,223,032
Prepaid expenses	**900,584**	927,010
Assets in transit subject to financing	**3,219,499**	1,917,136
Accrued income	**860,352**	504,823
Cheques under collection	**923,923**	601,904
Advance payments	**65,800**	121,285
Other real estate	**35,655**	28,023
Assets held for sale	**-**	112,500
Others, net	**2,595,522**	1,515,931
Total	**11,716,865**	8,511,877

13 - Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following:

	2023	2022
Current accounts	**568,771**	1,343,738
Banks' time investments	**96,678,118**	69,495,379
Total	**97,246,889**	70,839,117

14 - Customers' deposits

Customers' deposits by type comprises the following:

	2023	2022
Demand deposits and call accounts	**352,107,825**	351,549,468
Customers' time investments	**207,981,393**	202,039,260
Other customer accounts	**13,011,389**	11,335,960
Total	**573,100,607**	564,924,688

All Customers' time investments are subject to Murabaha contracts and therefore are non-interest.

	2023	2022
Saudi Arabian Riyals	**533,473,301**	521,538,417
Foreign currencies	**39,627,306**	43,386,271
Total	**573,100,607**	564,924,688

15 - Other liabilities

Other liabilities, net comprise the following:

	2023	2022
Accounts payable	**5,990,981**	6,750,657
Employees' end of service benefits liabilities (note 30)	**1,145,578**	1,191,573
Accrued expenses	**2,330,997**	2,108,898
Special commission income excluded from the consolidated financial statements (note 36)	**1,891**	6,075
Cheque under collection	**1,366,311**	748,728
Zakat payable (note 43)	**2,759,104**	2,836,371
Value added taxes (VAT)	**482,959**	525,269
Lease liability	**634,898**	723,122
Margin payable	**308,905**	9,870
Loss allowance on financial commitments and financial guarantees	**253,537**	433,532
Payable to developers	**4,902,655**	4,285,930
Other	**6,230,871**	5,048,618
Total	**26,408,687**	24,668,643

The loss allowance on financial commitments and financial guarantees are further depicted in Commitments and Contingencies (note 18 - c).

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

16 - Share capital

The authorized, issued and fully paid share capital of the Bank consists of 4,000 million shares of SAR 10 each as of 31 December 2023 (31 December 2022 4,000 million shares of SAR 10 each).

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

	2023	2022
Saudi shareholders	**86.13%**	86.25%
Foreign shareholders	**13.87%**	13.75%

17 - Statutory and other reserves

In accordance with Saudi Arabian Banking Control Law and the By-laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 4,155 million has been transferred from 2023 net income (2022: SAR 4,288 million). The statutory reserve is not currently available for distribution

Other reserves includes FVOCI investments reserve, foreign currency translation reserve and employee share plan reserve.

The movements in FVOCI investments, foreign currency reserves, and employee share plan reserve are summarized as follows:

2023	FVOCI investments	Foreign currency translation	Employee share plan reserve	Cash flow hedge	Re-measurement of employees' end of service benefits	Share in OCI from associate	Total
Balance at beginning of the year	**(289,995)**	**(200,713)**	**37,110**	**(41,975)**	**42,644**	**25,360**	**(427,569)**
Net change in fair value (FVOCI Equity investments)	**(9,369)**	**-**	**-**	**-**	**-**	**-**	**(9,369)**
Exchange difference on translation of foreign operations	**-**	**(42,712)**	**-**	**-**	**-**	**-**	**(42,712)**
Re-measurement of employees' end of service benefits (note 30)	**-**	**-**	**-**	**-**	**2,821**	**-**	**2,821**
Share in OCI from associate	**-**	**-**	**-**	**-**	**-**	**18,333**	**18,333**
Net change in fair value (FVOCI Sukuk investment and Structured products investments)	**307,054**	**-**	**-**	**-**	**-**	**-**	**307,054**
Cash flow hedge effective portion of change in the fair value	**-**	**-**	**-**	**57,788**	**-**	**-**	**57,788**
Disposal of FVOCI equity instruments	**(2,952)**	**-**	**-**	**-**	**-**	**-**	**(2,952)**
Balance at the end of the year	**4,738**	**(243,425)**	**37,110**	**15,813**	**45,465**	**43,693**	**(96,606)**

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

17 - Statutory and other reserves (Continued)

2022	FVOCI investments	Foreign currency translation	Employee share plan reserve	Cash flow hedge	Re-measurement of employees' end of service benefits	Share in OCI from associate	Total
Balance at beginning of the year	572,617	(162,484)	37,110	-	(189,180)	24,044	282,107
Net change in fair value (FVOCI Equity investments)	(669,175)	-	-	-	-	-	(669,175)
Exchange difference on translation of foreign operations	-	(38,229)	-	-	-	-	(38,229)
Re-measurement of employees' end of service benefits (note 30)	-	-	-	-	231,824	-	231,824
Share in OCI from associate	-	-	-	-	-	1,316	1,316
Net change in fair value (FVOCI Sukuk investment)	5,449	-	-	-	-	-	5,449
Cash flow hedge effective portion of change in the fair value	-	-	-	(41,975)	-	-	(41,975)
Disposal of FVOCI equity instruments	(198,886)	-	-	-	-	-	(198,886)
Balance at the end of the year	(289,995)	(200,713)	37,110	(41,975)	42,644	25,360	(427,569)

18 - Commitments and contingencies

a) Legal proceedings

As at 31 December 2023, there were certain legal proceedings outstanding against the Group in the normal course of business including those relating to the extension of credit facilities. Such proceedings are being reviewed by the concerned parties.

Provisions have been made for some of these legal cases based on the assessment of the Group's legal advisors.

The Bank was named as one of many defendants in certain lawsuits initiated in the US commencing in 2002. The Bank was successful in defending the claims, all of which were finally dismissed by the relevant courts. With respect to new lawsuits commencing in 2016, however, the most recent dismissal was reversed by the court of appeals to permit limited jurisdictional discovery, which commenced in 2021. The Bank's management believes that the claims will be defended successfully, although note that there are inherent uncertainties in litigation.

b) Capital commitments

As at 31 December 2023, the Group had capital commitments of SAR 1,156 million (2022: SAR 869 million) relating to contracts for computer software update and development, and SAR 407 million (2022: SAR 194 million) relating to building new workstations, and development and improvement of new and existing branches.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required. Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, acceptances and unused commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financing.

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 collateralized by the underlying shipments of goods to which they relate, and therefore, carry 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.

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

18 - Commitments and contingencies (Continued)

c) Credit related commitments and contingencies (Continued)

Cash requirements under guarantees and letters of credit are considerably less than the amount of the commitment because the Group does not expect the third party to necessarily draw funds under the agreement.

Commitments to extend credit represent unused portions of authorization to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire without being funded.

1. The contractual maturities of the Group's commitments and contingent liabilities are as follows:

2023	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Letters of credit	**5,006,794**	**1,784,655**	**581,680**	**-**	**7,373,129**
Acceptances	**1,640,079**	**182,721**	**-**	**-**	**1,822,800**
Letters of guarantee	**22,703,348**	**-**	**-**	**-**	**22,703,348**
Irrevocable commitments to extend credit	**12,275,623**	**-**	**-**	**-**	**12,275,623**
Total	**41,625,844**	**1,967,376**	**581,680**	**-**	**44,174,900**

2022	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Letters of credit	4,935,989	2,422,252	193,131	-	7,551,372
Acceptances	1,571,389	226,905	-	-	1,798,294
Letters of guarantee	14,902,966	-	-	-	14,902,966
Irrevocable commitments to extend credit	15,624,088	-	-	-	15,624,088
Total	37,034,432	2,649,157	193,131	-	39,876,720

2. Commitments and contingencies that may result in credit exposure

The table below shows the gross carrying amount and ECL allowance of the financing commitments and financial guarantees.

2023	**Letter of Credit**	**Acceptance**	**Letter of guarantees**	**Irrevocable commitments to extend credit**	**Total**
Gross carrying amount					
Stage 1 - (12-months ECL)	**7,357,683**	**1,815,730**	**21,233,413**	**12,176,257**	**42,583,083**
Stage 2 - (lifetime ECL not credit impaired)	**15,063**	**243**	**1,126,382**	**97,561**	**1,239,249**
Stage 3 - (lifetime ECL for credit impaired)	**383**	**6,827**	**343,553**	**1,805**	**352,568**
Total outstanding balance at end of the period	**7,373,129**	**1,822,800**	**22,703,348**	**12,275,623**	**44,174,900**

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

18 - Commitments and contingencies (Continued)

c) Credit related commitments and contingencies (Continued)

2. Commitments and contingencies that may result in credit exposure (Continued)

2023	**Letter of Credit**	**Acceptance**	**Letter of guarantees**	**Irrevocable commitments to extend credit**	**Total**
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 - (12-months ECL)	**47,739**	**1,975**	**30,335**	**3,483**	**83,532**
Stage 2 - (lifetime ECL not credit impaired)	**263**	**3**	**29,122**	**244**	**29,632**
Stage 3 - (lifetime ECL for credit impaired)	**69**	**6,827**	**133,470**	**7**	**140,373**
Total	**48,071**	**8,805**	**192,927**	**3,734**	**253,537**

2022	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
Gross carrying amount					
Stage 1 - (12-months ECL)	7,545,062	1,794,375	14,203,880	15,442,285	38,985,602
Stage 2 - (lifetime ECL not credit impaired)	5,951	768	346,090	181,803	534,612
Stage 3 - (lifetime ECL for credit impaired)	359	3,151	352,996	-	356,506
Total outstanding balance at end of the period	7,551,372	1,798,294	14,902,966	15,624,088	39,876,720

2022	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 - (12-months ECL)	74,850	4,292	23,854	12,500	115,496
Stage 2 - (lifetime ECL not credit impaired)	36	388	4,971	2,117	7,512
Stage 3 - (lifetime ECL for credit impaired)	357	3,151	307,016	-	310,524
Total	75,243	7,831	335,841	14,617	433,532

3. The analysis of commitments and contingencies by counter-party is as follows:

	2023	2022
Corporates	**40,116,996**	36,374,002
Banks and other financial institutions	**4,057,904**	3,502,718
Total	**44,174,900**	39,876,720

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

19 - Net financing and investment income

Net financing and investment income for the years ended 31 December comprises the following:

	2023	2022
Financing		
Corporate Mutajara	**7,834,281**	4,526,629
Installment sale	**23,760,066**	19,560,986
Murabaha	**1,932,361**	1,035,278
Investments and other		
Murabaha with SAMA	**2,715,899**	1,497,334
Mutajara with banks	**397,010**	413,286
Income from sukuk	**2,097,999**	1,168,118
Gross financing and investment income	**38,737,616**	28,201,631
Return on customers' time investments	**(10,107,091)**	(3,927,187)
Return on due to banks and financial institutions' time investments	**(7,361,406)**	(2,101,757)
Gross financing and investment return	**(17,468,497)**	(6,028,944)
Net financing and investment income	**21,269,119**	22,172,687

"During the year, the Real Estate Development Fund ("REDF") launched a new programme ("the programme") in line with their mandate to facilitate home ownership by eligible Saudi nationals in the Kingdom of Saudi Arabia. The Bank signed an agreement with REDF to become a party to this programme in September 2023, and received an advance payment of SAR 1,000 million for executing a fixed number of discounted real estate financing contracts.

In accordance with the requirements of IFRS 9, the programme results in a fair value loss being booked on origination of these mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the amount received from REDF qualifies as a government grant under IAS 20, which will be recognized as income on a systematic basis."

20 - Fee from banking services, net

Fee from banking services, net for the years ended 31 December comprise the following:

	2023	2022
Fee income:		
Remittance Business	**412,698**	373,365
Wholesale Business	**522,375**	416,815
Payment & Electronic Service Channels	**6,691,934**	5,547,346
Brokerage Business	**862,338**	1,009,256
Others	**905,255**	1,420,490
Total fee income	**9,394,600**	8,767,272
Fee expenses:		
Remittance Business	**-**	-
Wholesale Business	**(39,992)**	(33,567)
Payment & Electronic Service Channels	**(4,881,531)**	(3,801,041)
Brokerage Business	**(247,427)**	(308,524)
Others	**-**	-
Total fee expenses	**(5,168,950)**	(4,143,132)
Fee from banking services, net	**4,225,650**	4,624,140

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

21 - Other operating income, net

Other operating income, net for the years ended 31 December comprises the following:

	2023	2022
Dividend income	**136,884**	128,097
Gain on sale of property and equipment, net	**9,851**	1,275
Rental income from investment properties	**98,077**	106,720
Share in profit of an associate	**87,866**	20,237
(Gain) / Loss on investments held at fair value through statement of income (FVIS)	**32,051**	(208,766)
Other income, net*	**425,461**	568,467
Total	**790,190**	616,030

*Other income, net includes Ejada gross profit which is as follows:

	2023	2022
Revenue	**533,646**	426,445
Cost of revenue	**(417,091)**	(285,878)
Gross profit	**116,555**	140,567

22 - Salaries and employees' related benefits

The following tables provide an analysis of the salaries and employees' related benefits for the years ended 31 December:

2023	**Number of employees**	**Fixed and variable compensation**	**Variable compensations paid**	
			Cash	**Shares**
Executives	**26**	**61,015**	**29,338**	**77,531**
Employees engaged in risk taking activities	**1,863**	**598,839**	**196,498**	**42,417**
Employees engaged in control functions	**545**	**220,382**	**46,242**	**35,694**
Other employees	**18,444**	**1,928,200**	**337,098**	**58,537**
Total	**20,878**	**2,808,436**	**609,176**	**214,179**
Accrued compensations in 2023	**-**	**256,852**	**-**	**-**
Other employees' costs	**-**	**459,808**	**-**	**-**
Gross total	**20,878**	**3,525,096**	**609,176**	**214,179**

2022	Number of employees	Fixed and variable compensation	Variable compensations paid	
			Cash	Shares
Executives	24	50,693	23,996	55,595
Employees engaged in risk taking activities	1,877	590,626	189,914	32,479
Employees engaged in control functions	511	214,190	41,174	26,857
Other employees	17,552	1,804,438	313,694	46,344
Total	19,964	2,659,947	568,778	161,275
Accrued compensations in 2022	-	247,731	-	-
Other employees' costs	-	487,513	-	-
Gross total	19,964	3,395,191	568,778	161,275

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

22 - Salaries and employees' related benefits (Continued)

Salaries and employees' related benefits include end of services, social insurance, business trips, training and other benefits.

As the Kingdom of Saudi Arabia is part of the G-20, instructions were given to all financial institutions by SAMA, the Saudi Arabia Financial regulator, to comply with the standards and principles of Basel II and the Financial Stability Board, specially with regard to compensation.

In light of the above SAMA's regulations, the Group issued fixed and variable compensation policy which was implemented after the Board of Directors approval.

The scope of this policy is extended to include all permanent and temporary employees of the Group and its subsidiary companies (local and international) that are operating in the financial services sector.

For consistency with other banking institutions in the Kingdom of Saudi Arabia, the Group has used a combination of fixed and variable compensation to attract and maintain talent. The fixed compensation is assessed on a yearly basis by comparing it to other local banks in the Kingdom of Saudi Arabia including the basic salaries, allowances and benefits which is related to the employees' ranks. The variable compensation is related to the employees' performance and their compatibility to achieve the agreed-on objectives. It includes incentives, performance bonus and other benefits. Incentives are mainly paid to branches' employees whereby the performance bonuses are paid to head office employees and others who do not qualify for incentives. These bonuses and compensation are approved by the Board of Directors as a percentage of the Group's net income.

The overall 2023 staff headcount increase is driven mainly by creation and acquisition of new subsidiaries and organic growth of businesses.

23 - Other general and administrative expenses

Other general and administrative expenses for the years ended 31 December comprises the following:

	2023	2022
Communications and utilities expenses	**569,599**	584,017
Maintenance and security expenses	**313,294**	346,758
Cash feeding and transfer expenses	**209,791**	240,142
Software and IT support expenses	**253,266**	413,187
Other operational expenses	**1,048,891**	1,141,656
Total	**2,394,841**	2,725,760

24 - Earnings per share

Basic and diluted earnings per share is calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving retrospective effect to the bonus shares issuance of 1,500 million shares as set out below:

	2023	2022
Net income for the period	**16,621,159**	17,150,825
Less: Tier I Sukuk Costs	**(820,678)**	(196,564)
Net income after Tier I Sukuk payments	**15,800,481**	16,954,261
Number of outstanding shares at the beginning of period	**4,000,000**	2,500,000
Bonus shares issued (note 26)	**-**	1,500,000
Weighted average number of shares	**4,000,000**	4,000,000
Basic and diluted earning per share (in SAR)	**3.95**	4.24

25 - Dividends

The Board of Directors proposed on 15 January 2023, distribution of final dividends to shareholders for the year ended 31 December 2022, amounting to SAR 5,000 million, being SAR 1.25 per share after deduction of Zakat. The proposed final dividends for 2022 was approved by the Annual General Assembly in its meeting held on 21 March 2023. These dividends were paid on 2 April 2023.

On 23 July 2023, the Bank's Board of Directors approved a distribution of cash dividends to the shareholders for the first half of 2023, amounting to SAR 4,600 million (SAR 1.15 per share), these dividends were paid on 14 August 2023.

26 - Bonus shares

Al Rajhi Bank Board of Directors, through circulation on 16 Rajab,1443 (corresponding to 17 February, 2022), recommended to the Extraordinary General Assembly to increase the Bank's capital by granting bonus shares to the bank's shareholders through capitalization of SAR 15,000 Million from the retained earnings by granting 3 shares for every 5 shares owned.

On 07 Shawal, 1443 (corresponding to 08 May, 2022), the Bank's shareholders in an extraordinary general assembly meeting approved the recommended such bonus shares issuance.

27 - Tier I Sukuk

In January 2022, the Bank through a Shariah compliant arrangement, (the "arrangement"), issued Tier I Sukuk (the "Sukuk"), of SAR 6.5 billion. The Sukuk are perpetual securities in respect of which there are no fixed redemption dates, the Sukuk also represent an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among themselves, with each unit of the Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on 23 January 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

In addition to the Tier I Sukuk mentioned above, and during November 2022, the Bank issued additional Tier I sukuk programme of SAR 10 billion in a SAR-denominated Tier I sukuk by way of a public offering in Saudi Arabia. These Sukuk are perpetual securities with no fixed redemption dates, the Sukuk also have an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among those Sukuk-holders. The entire units of such Sukuk are unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on 26 November 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic quarterly 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.

28 - Sukuk Issued

During April 2023, the Bank successfully issued U.S. dollar denominated senior unsecured sustainable Sukuk, amounting to USD 1 billion (SAR 3.75 billion) with 5-years maturity and a profit rate of 4.75% and redeemable prior to scheduled maturity date in certain cases. The Sukuk represents Al Rajhi Bank's first issuance in the USD international capital markets via a USD 4 billion Sukuk programme that has a multi-issuance variability of one or more tranches of senior unsecured or tier 2 subordinated Sukuk. The sustainable Sukuk is listed on the London Stock Exchange's International Securities Market and could be sold in light of applicable acts and regulations.

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

29 - Cash and cash equivalents

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

	2023	2022
Cash in hand	**6,502,729**	6,672,064
Due from banks and other financial institutions maturing within 90 days from the date of purchased	**5,676,099**	17,065,889
Balances with SAMA and other central banks (current accounts)	**256,814**	408,197
Mutajara with SAMA	**-**	2,053,000
Total	**12,435,642**	26,199,150

30 - Employees' end of service benefits liabilities

(a) General description

The Group operates an End of Service Benefit Plan for its employees based on the applicable Labor Laws in the country in which they are employed. Accruals are made in accordance with the actuarial valuation under the projected unit credit method, while the benefit payments liabilities are discharged as and when they fall due.

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

	2023	2022
Employees' end of service benefits liabilities at the beginning of the year	**1,191,573**	1,198,261
Past Service Gain	**(6,627)**	(3,774)
Current service cost	**106,549**	171,308
Financing cost	**52,947**	45,978
Benefits paid including pending to be paid for the period	**(194,407)**	(112,004)
Benefits acquired/ transferred to be transferred to/ (from) sister companies	**(1,636)**	123,628
Remeasurement gain	**(2,821)**	(231,824)
Employees' end of service benefits liabilities at the end of the year	**1,145,578**	1,191,573

(c) Charge for the year

	2023	2022
Current service cost	**129,460**	171,308
Past service cost	**(6,627)**	(3,774)
Total	**122,833**	167,534

(d) Re-measurement recognised in other comprehensive income

	2023	2022
Loss / (Gain) from change in experience assumptions	**11,725**	(14,220)
Loss from change in demographic assumptions	**95**	95
Gain from change in financial assumptions	**(14,641)**	(217,699)
Total	**(2,821)**	(231,824)

(e) Income principal actuarial assumptions (in respect of the employee benefit scheme)

	2023	2022
Discount rate	**5.05%**	5.00%
Expected rate of salary increase	**3.00%**	2.00% for FY 2023 and 3.00% thereafter
Attrition Rate	**5% - 14% (based on the age band)**	5% - 14% (based on the age band)

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

30 - Employees' end of service benefits liabilities (Continued)

(f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the employees' end of service benefits liabilities valuation to the discount rate, salary increase rate and attrition rate assumptions.

2023	**Impact on defined benefit obligation – Increase / (Decrease)**		
Base Scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**+/- 100 basis points**	**(88,413)**	**108,895**
Expected rate of salary increase	**+/- 100 basis points**	**110,675**	**(91,429)**
Attrition Rate	**Increase or decrease by 20%**	**17,701**	**(14,912)**

2022	Impact on defined benefit obligation – Increase / (Decrease)		
Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 100 basis points	(102,064)	118,662
Expected rate of salary increase	+/- 100 basis points	119,943	(104,924)
Attrition Rate	Increase or decrease by 20%	10,134	(12,802)

(e) Expected maturity

At 31 December	Discounted liability	Less than a year	1-2 years	2-5 years	Over 5 years	Total
2023	**1,145,578**	**125,621**	**127,212**	**402,336**	**3,608,677**	**4,263,846**
2022	1,191,573	125,630	127,220	402,681	3,654,250	4,309,781

31 - Operating segments

The Group identifies operating segments on the basis of internal reports about the activities of the Group that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

For management purposes, the Group is organized into the following four main businesses segments:

Retail segment:	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business, payment services.
Corporate segment:	Incorporates deposits of VIP, corporate customers' deposits, credit facilities, and debit current accounts (overdrafts).
Treasury segment:	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio.
Investment services, brokerage and other segments:	Includes investments of individuals and corporates in mutual funds, local and international share trading services, investment portfolios and others.

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

31 - Operating segments (Continued)

(a) The Group's total assets and liabilities, together with its total operating income and expenses, and net income, as of and for the years ended 31 December for each segment are as follows:

2023	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
Total Assets	**455,417,583**	**166,231,760**	**179,279,472**	**7,169,457**	**808,098,272**
Total Liabilities	**293,516,074**	**271,709,235**	**134,641,890**	**1,471,642**	**701,338,841**
Financing and investment income from external customers	**22,380,591**	**10,717,736**	**5,465,684**	**173,605**	**38,737,616**
Inter-segment operating income /(expense)	**(6,868,762)**	**5,895,025**	**973,737**	**-**	**-**
Gross financing and investment income	**15,511,829**	**16,612,761**	**6,439,421**	**173,605**	**38,737,616**
Gross financing and investment return	**(809,754)**	**(10,369,837)**	**(6,288,906)**	**-**	**(17,468,497)**
Net financing and investment income	**14,702,075**	**6,242,924**	**150,515**	**173,605**	**21,269,119**
Fee from banking services, net	**1,925,010**	**1,005,507**	**680,221**	**614,912**	**4,225,650**
Exchange income, net	**566,701**	**281,124**	**398,625**	**-**	**1,246,450**
Other operating income, net	**135,317**	**3,703**	**301,875**	**349,295**	**790,190**
Total operating income	**17,329,103**	**7,533,258**	**1,531,236**	**1,137,812**	**27,531,409**
Depreciation and amortization	**(1,296,577)**	**(210,876)**	**(40,500)**	**(30,056)**	**(1,578,009)**
Impairment charge for financing and other financial assets, net	**(2,163,894)**	**707,550**	**(47,834)**	**-**	**(1,504,178)**
Other operating expenses	**(4,905,858)**	**(659,166)**	**(210,840)**	**(144,073)**	**(5,919,937)**
Total operating expenses	**(8,366,329)**	**(162,492)**	**(299,174)**	**(174,129)**	**(9,002,124)**
Income before Zakat	**8,962,774**	**7,370,766**	**1,232,062**	**963,683**	**18,529,285**

2022	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
Total Assets	458,373,286	133,149,990	162,580,997	7,514,615	761,618,888
Total Liabilities	294,440,256	278,627,535	87,741,490	584,572	661,393,853
Financing and investment income from external customers	19,799,227	5,159,001	3,116,428	126,975	28,201,631
Inter-segment operating income /(expense)	(6,486,764)	2,336,774	4,149,990	-	-
Gross financing and investment income	13,312,463	7,495,775	7,266,418	126,975	28,201,631
Gross financing and investment return	(343,085)	(4,005,596)	(1,680,263)	-	(6,028,944)
Net financing and investment income	12,969,378	3,490,179	5,586,155	126,975	22,172,687
Fee from banking services, net	1,904,688	798,321	1,236,839	684,292	4,624,140
Exchange income, net	576,402	218,186	367,574	-	1,162,162
Other operating income, net	77,880	-	325,549	212,601	616,030
Total operating income	15,528,348	4,506,686	7,516,117	1,023,868	28,575,019
Depreciation and amortization	(1,162,971)	(106,023)	(44,703)	(16,422)	(1,330,119)
Impairment charge for financing and other financial assets, net	(1,453,637)	(528,934)	(18,688)	-	(2,001,259)
Other operating expenses	(5,219,603)	(514,604)	(178,032)	(208,712)	(6,120,951)
Total operating expenses	(7,836,211)	(1,149,561)	(241,423)	(225,134)	(9,452,329)
Income before Zakat	7,692,137	3,357,125	7,274,694	798,734	19,122,690

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

31 - Operating segments (Continued)

(b) The Group's credit exposure by business segments as of 31 December follows:

2023	**Retail segment**	**Corporate segment**	**Treasury segment**	**Investment services, brokerage and other segments**	**Total**
Consolidated balance sheet assets	**427,239,183**	**166,965,623**	**178,723,227**	**3,863,069**	**776,791,102**
Commitments and contingencies excluding irrevocable commitments to extend credit	-	**31,899,277**	-	-	**31,899,277**

2022	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
Consolidated balance sheet assets	430,015,828	138,322,286	165,145,307	2,666,960	736,150,381
Commitments and contingencies excluding irrevocable commitments to extend credit	-	24,252,632	-	-	24,252,632

32 - Financial risk management

The Group 's activities are exposed it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit and Risk Management Group ("CRMG") under policies approved by the Board of Directors. The CRMG identifies and evaluates financial risks in close co-operation with the Group's operating units. The most important types of risks identified by the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, operational risk and price risk.

(1) Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the CRMG, which sets parameters and thresholds for the Group's financing activities.

(a) Credit risk measurement

i) Financing

The Group provides financial products which are in accordance with Shariah law in order to meet the customers demand. These products are all classified as financing assets in the Group's consolidated statement of financial position. In measuring credit risk of financing at a counterparty level, the Group considers the overall credit worthiness of the customer based on a proprietary risk methodology.

This risk rating methodology utilizes a 10 point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8-10). The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

ii) Credit risk grades

For corporate exposures, 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 customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates, 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 customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of corporate exposure involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the customer or in its business activities

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 customers analyzed by segment as well as by credit risk grading.

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement
iii) Generating the term structure of PD

The Group employs analytical techniques incorporating internal default estimates backed by transition matrices published by external agencies to construct PD term structures that can be applied to each exposure based on the its remaining lifetime. These PD term structures are then adjusted to incorporate the impact of macroeconomic outlook to arrive at a forward looking estimate of PD across the lifetime.

For retail exposure, customer and financing specific information collected at the time of application, repayment behavior etc. are used to construct risk based segmentation using Chi-square Automatic Interaction Detection (CHAID) (or Decision Tree) technique. Risk segments are constructed to identify and aggregate customers with similar risk characteristics. For each risk segment thus formed, PD term structures are constructed using historical data that can be applied to each exposure based on its remaining lifetime.

Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

Bank has a master rating scale in place that comprises of 22 risk rating grades in total which is further split into 19 performing grades and 3 non-performing grades. Each of these 19 performing risk rating grades has a probability of default range assigned to it along with a mid-point PD. The probability of default for performing portfolio ranges from a minimum of 0% up to a maximum of 99% depending on the risk grades. The 12 month probability of default (PD) for on and off-balance sheet financing exposures in grades 1 to 6 and unrated exposures range from 0% to 8%. For 12 month PD for watch list exposures ranges from 8% to 99%, For the 3 non performing grades, the probability of default (PD) assigned is 100%.

Risk Rating 1
Exceptional - Obligors of unquestioned credit standing at the pinnacle of credit quality.

Risk Rating 2
Excellent - Obligors of the highest quality, presently and prospectively. Virtually no risk in financing to this class, Cash flows reflect exceptionally large and stable margins of protection. Projected cash flows including anticipated credit extensions indicate strong liquidity levels and debt service coverage. Balance Sheet parameters are strong, with excellent asset quality in terms of value and liquidity.

Risk Rating 3
Superior - Typically obligors at the lower end of the high quality range with excellent prospects. Very good asset quality and liquidity. Consistently strong debt capacity and coverage. There could however be some elements, which with a low likelihood might impair performance in the future.

Risk Rating 4
Good - Typically obligors in the high end of the medium range who are definitely sound with minor risk characteristics. Elements of strength are present in such areas as liquidity, stability of margins, cash flows, diversity of assets, and lack of dependence on one type of business.

Risk Rating 5
Satisfactory - These are obligors with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality, liquidity, and good debt capacity and coverage. A loss year or declining earnings trend may occur, but the customers have sufficient strength and financial flexibility to offset these issues.

Risk Rating 6
Adequate - Obligors with declining earnings, strained cash flow, increasing leverage and/ or weakening market fundamentals that indicate above average risk, such customers have limited additional debt capacity, modest coverage, average or below average asset quality and market share. Present customer performance is satisfactory, but could be adversely affected by developing collateral quality/ adequacy etc.

Risk Rating 7
Very high risk - Generally undesirable business constituting an undue and unwarranted credit risk but not to the point of justifying a substandard classification. No loss of principal or profit has taken place. Potential weakness might include a weakening financial condition, an unrealistic repayment program, inadequate sources of funds, or a lack of adequate collateral, credit information or documentation. The entity is undistinguished and mediocre. No new or incremental credits will generally be considered for this category.

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
iii) Generating the term structure of PD (Continued)

Risk Rating 8
Substandard - Obligors in default and 90 Days Past Due on repayment of their obligations. Unacceptable business credit. Normal repayment is in jeopardy, and there exists well defined weakness in support of the same. The asset is inadequately protected by the current net worth and paying capacity of the obligor or pledged collateral. Specific provision raised as an estimate of potential loss.

Risk Rating 9
Doubtful - Obligors in default and 180 Days Past Due (DPD) on their contracted obligations, however in the opinion of the management recovery/ salvage value against corporate and real estate obligors is a possibility, and hence write-off should be deferred. Full repayment questionable. Serious problems exist to the point where a partial loss of principle is likely. Weaknesses are so pronounced that on the basis of current information, conditions and values, collection in full is highly improbable. Specific provision raised as an estimate of potential loss. However, for retail obligors (except real estate) and credit cards, total loss is expected. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

Risk Rating 10
Loss - Obligors in default and 360 Days Past Due (DPD) on their obligations. Total loss is expected. An uncollectible assets which does not warrant classification as an active asset. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

iv) 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.

For Corporate portfolio, the Group's assessment of significant increase in credit risk is based on facility level except for watch-list accounts, whereby the Group's assessment is based on counterparty. Significant increase in credit risk assessment for retail financing is carried out at customer level within same product family. All the exposures which are considered to have significantly increased in credit risk are subject to lifetime ECL.

The Group considers all investment grade Sukuk issued by sovereigns including Gulf Corporation Council (GCC) countries to have low credit risk.

v) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, quantitative changes in PDs , delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on quantitative assessment and / or using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
v) Determining whether credit risk has increased significantly (Continued)

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).

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 or more is assumed to be stage 3.

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

Non-retail exposures	Retail exposures	All exposures
1- 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. 2- Data from credit reference agencies, press articles, changes in external credit ratings 3- Quoted Sukuk and credit default swap (CDS) prices for the customer where available 4- Actual and expected significant changes in the political, regulatory, and technological environment of the customer or in its business activities	1- Internally collected data and customer behavior – e.g., utilization of credit card facilities 2- Affordability metrics 3- External data from credit reference agencies including industry-standard credit scores	1- Payment record – this includes overdue status as well as a range of variables about payment ratios 2- Utilization of the granted limit 3- Existing and forecast changes in business, financial and economic conditions

vi) Modified financial assets

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

The Group renegotiates finances 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, finance 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.

32 - Financial risk management (Continued)

(2) Credit risk (Continued)

(a) Credit risk measurement (Continued)

vi) Modified financial assets (Continued)

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

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 12 months before the exposure is no longer considered to be credit-impaired/ in default.

vii) Definition of 'Default'

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

- the customer 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 customer 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 customer 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.

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

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

viii) Incorporation of forward looking information

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.
The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
viii) Incorporation of forward looking information

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

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

Economic Indicators	Forecast calendar years used in 2023 ECL model		
	2024	**2025**	**2026**
Yearly Growth in Oil Price	**(0.70%)**	**(4.90%)**	**(4.30%)**
General Government Net Lending (% of GDP)	**0.27%**	**0.46%**	**0.73%**
Investment (% of GDP)	**28.10%**	**28.62%**	**29.23%**
Crude Oil Production Avg Daily (million barrel)	**10**	**10.5**	**10.7**
Gross National Savings to GDP (YoY) Growth	**0.40%**	**(1.40%)**	**(2.30%)**
General Government Revenue (% of GDP)	**29.50%**	**29.50%**	**29.50%**

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

31 December 2023	Due from Bank and other financial institutions	Investment	Financing	Off Balance Sheet Items	Total
Most likely (Base case)	**4,275**	**72,078**	**8,725,937**	**253,537**	**9,055,827**
More optimistic (Upside)	**3,235**	**50,524**	**7,504,077**	**212,263**	**7,770,099**
More pessimistic (Downside)	**5,804**	**103,832**	**10,103,338**	**307,453**	**10,520,427**

ix) Measurement of ECL

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, CCF and discount rate.

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

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

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

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

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
ix) Measurement of ECL

For Corporate and Retail portfolio, bank uses internal LGD models to arrive at the LGD estimates.

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 financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

x) Financings

a) The following table sets out information about the credit quality of financings measured at amortized cost as at 31 December:

2023	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Carrying amount distribution by Grades				
Grade 1-3 / (Aaa - A3)	**45,609,795**	**-**	**-**	**45,609,795**
Grade (4-6) / (Baa1 - B3)	**116,401,960**	**2,221,570**	**-**	**118,623,530**
Grade 7- Watch list / (Caa1 – C)	**-**	**2,930,555**	**-**	**2,930,555**
Credit Impaired	**-**	**-**	**3,113,787**	**3,113,787**
Total Corporate performing and non-performing	**162,011,755**	**5,152,125**	**3,113,787**	**170,277,667**
Total Retail (un-rated)	**419,544,874**	**8,764,940**	**4,343,262**	**432,653,076**
Total Carrying amount	**581,556,629**	**13,917,065**	**7,457,049**	**602,930,743**

2022	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Carrying amount distribution by Grades				
Grade 1-3 / (Aaa - A3)	36,264,588	-	-	36,264,588
Grade (4-6) / (Baa1 - B3)	99,605,624	2,142,839	-	101,748,463
Grade 7- Watch list / (Caa1 – C)	-	2,104,816	-	2,104,816
Credit Impaired	-	-	1,928,911	1,928,911
Total Corporate performing and non-performing	135,870,212	4,247,655	1,928,911	142,046,778
Total Retail (un-rated)	426,179,423	5,328,999	3,311,790	434,820,212
Total Carrying amount	562,049,635	9,576,654	5,240,701	576,866,990

a) The following table sets out information about the credit quality of commitments and contingencies measured at amortized cost as at 31 December:

	2023	2022
Carrying amount distribution by Grades		
Grade 1-3 / (Aaa - A3)	**6,079,559**	6,495,911
Grade (4-6) / (Baa1 - B3)	**36,762,364**	32,923,569
Grade 7- Watch list / (Caa1 – C)	**980,409**	100,734
Credit Impaired	**352,568**	356,506
Total Carrying amount	**44,174,900**	39,876,720

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

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
x) Financings (Continued)

a) The net financing concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2023	Performing	Non-Performing	Allowance for impairment	Net financing
Description				
Government	**33,772,658**	**-**	**-**	**33,772,658**
Commercial	**45,095,136**	**1,472,523**	**(760,074)**	**45,807,585**
Industrial	**36,869,650**	**1,011,036**	**(993,776)**	**36,886,910**
Building and construction	**7,812,382**	**9,976**	**(5,013)**	**7,817,345**
Consumer	**431,198,630**	**1,454,446**	**(876,773)**	**431,776,303**
Services	**22,724,169**	**318,850**	**(166,229)**	**22,876,790**
Agriculture and fishing	**1,489,504**	**855**	**(503)**	**1,489,856**
Finance, Insurance & Investments	**14,640,139**	**526**	**(273)**	**14,640,392**
Others	**5,030,536**	**29,727**	**(16,041)**	**5,044,222**
Total	**598,632,804**	**4,297,939**	**(2,818,682)**	**600,112,061**
12 month and life time ECL not credit impaired*	**-**	**-**	**(5,907,255)**	**(5,907,255)**
Balance	**598,632,804**	**4,297,939**	**(8,725,937)**	**594,204,806**

*The amount includes stage 3 balances which are in curing period

2022	Performing	Non-Performing	Allowance for impairment	Net financing
Description				
Government	23,936,681	-	-	23,936,681
Commercial	41,260,020	526,732	(299,207)	41,487,545
Industrial	34,166,854	1,030,986	(1,010,608)	34,187,232
Building and construction	6,275,190	5,314	(2,918)	6,277,586
Consumer	432,923,861	1,896,504	(1,228,793)	433,591,572
Services	17,658,812	125,683	(70,192)	17,714,303
Agriculture and fishing	689,565	112	(65)	689,612
Finance, Insurance & Investments	13,257,584	210	(115)	13,257,679
Others	3,112,488	394	(228)	3,112,654
Total	573,281,055	3,585,935	(2,612,126)	574,254,864
12 month and life time ECL not credit impaired*	-	-	(5,916,750)	(5,916,750)
Balance	573,281,055	3,585,935	(8,528,876)	568,338,114

*The amount includes stage 3 balances which are in curing period

b) The table below sets out gross balances of individually impaired financing, together with the fair value of related collateral held by the Group as at 31 December:

2023	Total
Individually impaired financing	**4,297,939**
Fair value of collateral	**916,683**

2022	Total
Individually impaired financing	3,585,935
Fair value of collateral	1,631,244

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

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
x) Financings (Continued)

c) The banks in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the financings. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other fixed assets. The collaterals are held mainly against commercial and consumer financings and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting year, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. The outstanding credit impaired financing facility balances, that are covered by collateral, as of December 31 is as follows:

	2023	2022
Less than 50%	**32,983**	213,861
51-70%	**55,153**	357,687
More than 70%	**788,358**	1,668,621
Total exposure	**876,494**	2,240,169

d) Financial liabilities subject to offsetting

2023	Gross Amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of recognized financial liabilities in the statement of financial position
Repurchase agreements	**33,344,937**	**-**	**33,344,937**

2022	Gross Amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of recognized financial liabilities in the statement of financial position
Repurchase agreements	52,268,711	-	52,268,711

For collaterals for above financial liabilities, please refer note 6(a).

(a) Settlement risk

The Group is also exposed to settlement risk in its dealings with other financial institutions. This risk arises when the Group pays its side of the transaction to the other bank or counterparty before receiving payment from the third party. The risk is that the third party may not pay its obligation. While these exposures are short in duration, they can be significant. The risk is mitigated by dealing with highly rated counterparties, holding collateral and limiting the size of the exposures according to the risk rating of the counterparty.

(b) Risk limit control and mitigation policies

The responsibility for credit risk management is enterprise-wide in scope. Strong risk management is integrated into daily processes, decision making and strategy setting, thereby making the understanding and management of credit risk the responsibility of every business segment.

The following business units within the Group assist in the credit control process:

- Corporate Credit Unit.
- Credit Administration, Monitoring and Control Unit.
- Remedial Unit.
- Credit Policy Unit.
- Retail Credit Unit.

The monitoring and management of credit risk associated with these financing are made by setting approved credit limits. The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual customers and groups, and to industries and countries.

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
x) Financings (Continued)

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors.

The Group manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the executive committee.

Exposure to credit risk is also managed through regular analysis on the ability of customers and potential customers to meet financial and contractual repayment obligations and by revising credit limits where appropriate.

Some other specific control and mitigation measures are outlined below:

The Group implements guidelines on the level and quality of specific classes of collateral, The principal collateral types are:

- Mortgages over residential and commercial properties.
- Cash, shares, and general assets for customer.
- Shares for Murabaha (collateralized share trading) transactions.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as traditional banking products of the Group.

Documentary and commercial 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 collateralized by the underlying goods to which they relate, and therefore, risk is partially mitigated.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of further financing products, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards

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

32 - Financial risk management (Continued)
(1) Credit risk (Continued)
xi) Credit quality analysis

The table below sets out the maximum exposure to credit risk at the reporting date without considering collateral or other credit enhancements and includes the off-balance sheet financial instruments involving credit risks as at 31 December:

On-balance sheet items	**2023**	2022
Investments, net:		
Cash and balances with Central Banks	**41,767,641**	42,052,496
Murabaha with Saudi Government and SAMA	**20,067,953**	22,696,693
Sukuk	**102,547,859**	72,857,306
Structured Products	**4,833,101**	1,882,883
Due from banks and other financial institutions	**9,506,673**	25,655,929
Financing, net		
Corporate	**166,965,623**	138,322,286
Retail	**427,239,183**	430,015,828
Other financial assets		
Receivables, net	**2,078,794**	1,560,233
Accrued income	**860,352**	504,823
Cheques under collection	**923,923**	601,904
Total on-balance sheet items	**776,791,102**	736,150,381
Off-balance sheet items:		
Letters of credit and acceptances	**9,195,929**	9,349,666
Letters of guarantee	**22,703,348**	14,902,966
Irrevocable commitments to extend credit	**12,275,623**	15,624,088
Total off-balance sheet items	**44,174,900**	39,876,720
Maximum exposure to credit risk	**820,966,002**	776,027,101

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

(2) Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and financing parties and fulfill financing commitments. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. Diverse funding sources available to the Group help mitigate this risk. Assets are managed with liquidity in mind, maintaining a conservative balance of cash and cash equivalents.

Liquidity risk management process

The Group's liquidity management process is as monitored by the Group's Asset and Liabilities Committee (ALCO), and includes:

- Day-to-day funding, managed by Treasury to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining diversified funding sources; and
- Liquidity management and asset and liability mismatching.

Monitoring and reporting take the form of analyzing cash flows of items with both contractual and non-contractual maturities. The net cash flows are measured to ensure that they are within acceptable ranges. The Treasury / ALCO also monitors the level and type of undrawn financing commitments, usage of overdraft facilities and the potential impact of contingent liabilities such as standby letters of credit and guarantees may have on the Group's liquidity position.

The tables below summarizes the maturity profile of the Group's assets and liabilities, on the basis of the remaining maturity as of the consolidated statement of financial position date to the contractual maturity date.

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

32 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

Management monitors the maturity profile to ensure that adequate liquidity is maintained. Assets available to meet liabilities and to cover outstanding financing commitments include cash, balances with SAMA and due from banks. Further, in accordance with the Banking Control Law and Regulations issued by SAMA, the Group maintains a statutory deposit equal to a sum not less than 7% of total customers' deposits, and 4% of total other customers' accounts. In addition to the statutory deposit, the Group maintains a liquid reserve of not less than 20% of the deposit liabilities, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days. Also, the Group has the ability to raise additional funds through special financing arrangements with SAMA including deferred sales transactions.

2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets						
Cash and balance with SAMA and other central banks	-	-	-	-	**41,767,641**	**41,767,641**
Due from banks and other financial institutions	**3,027,314**	**1,616,094**	**1,683,388**	-	**3,179,877***	**9,506,673**
Financing, net						
Mutajara	**24,567,170**	**29,004,621**	**52,232,333**	**34,450,129**	-	**140,254,253**
Installment sale	**13,364,258**	**41,573,047**	**173,988,125**	**198,515,605**	-	**427,441,035**
Murabaha	**5,668,525**	**3,267,070**	**7,036,864**	**5,009,497**	-	**20,981,956**
Credit cards	**2,183,563**	**1,229,353**	**1,672,477**	**442,169**	-	**5,527,562**
Investments, net						
Investment in an associate	-	-	-	-	**923,046**	**923,046**
Investments held at amortized cost	**12,223,481**	**2,340,446**	**39,900,131**	**56,437,267**	-	**110,901,325**
FVIS investments	-	-	**576,377**	**33,493**	**2,942,230**	**3,552,100**
FVOCI investments	-	**1,132,415**	**5,237,057**	**10,089,786**	**2,462,882**	**18,922,140**
Positive fair value of derivatives	**2,715**	**8,989**	**210,138**	**655,834**	-	**877,676**
Total	**61,037,026**	**80,172,035**	**282,536,890**	**305,633,780**	**51,275,676**	**780,655,407**
Liabilities						
Due to banks and other financial institutions	**56,722,318**	**27,990,243**	**11,636,807**	**328,750**	**568,771***	**97,246,889**
Demand deposits and call accounts	-	-	-	-	**352,107,825***	**352,107,825**
Customers' time investments	**111,032,228**	**61,691,663**	**13,702,134**	**21,555,368**	-	**207,981,393**
Other customer accounts	-	-	-	-	**13,011,389***	**13,011,389**
Negative fair value of derivatives	**2,657**	**9,304**	**182,438**	**599,142**	-	**793,541**
Sukuk issued	-	-	**3,789,117**	-	-	**3,789,117**
Total Liabilities	**167,757,203**	**89,691,210**	**29,310,496**	**22,483,260**	**365,687,985**	**674,930,154**
Gap	**(108,307,887)**	**(8,741,511)**	**254,048,953**	**283,150,521**	**(314,424,823)**	**105,725,253**

* These are all receivable / payable on demand

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

32 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets						
Cash and balance with SAMA and other central banks	2,053,000	-	-	-	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	3,553,814	1,276,315	-	4,765,889*	25,655,929
Financing, net						
Mutajara	21,475,546	29,189,031	35,819,350	30,335,162	-	116,819,089
Installment sale	12,471,245	41,786,521	180,485,205	190,878,459	-	425,621,430
Murabaha	3,928,278	4,797,146	6,750,486	5,551,003	-	21,026,913
Credit cards	2,160,591	1,153,869	1,533,068	23,154	-	4,870,682
Investments, net						
Investment in an associate	-	-	-	-	820,717	820,717
Investments held at amortized cost	4,404,581	1,902,829	33,079,327	54,908,903	-	94,295,640
FVIS investments	-	514,550	232,611	121,481	2,399,169	3,267,811
FVOCI investments	-	17,547	339,228	1,301,771	2,103,428	3,761,974
Positive fair value of derivatives	17,094	22,344	184,671	772,034	-	996,143
Total	62,570,246	82,937,651	259,700,261	283,891,967	50,088,699	739,188,824
Liabilities						
Due to banks and other financial institutions	46,021,351	11,210,562	12,263,466	-	1,343,738*	70,839,117
Demand deposits and call accounts	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	126,617,444	48,379,543	7,938,345	19,103,928	-	202,039,260
Other customer accounts	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	8,128	20,223	217,063	715,991		961,405
Sukuk issued	-	-	-	-	-	-
Total Liabilities	172,646,923	59,610,328	20,418,874	19,819,919	364,229,166	636,725,210
Gap	(110,076,677)	23,327,323	239,281,387	264,072,048	(314,140,467)	102,463,614

* These are all receivable / payable on demand

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

32 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2023 and 2022 based on contractual undiscounted repayment obligations. As profit payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the Statement of financial position date to the contractual maturity date and do not consider the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not affect the expected cash flows indicated by the Bank's deposit retention history.

2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Due to banks and other financial institutions	**59,243,641**	**29,123,940**	**12,339,896**	**655,663**	**568,771***	**101,931,911**
Demand deposits and call accounts	**-**	**-**	**-**	**-**	**352,107,825***	**352,107,825**
Customers' time investments	**116,112,310**	**65,298,796**	**16,385,929**	**22,687,316**	**-**	**220,484,351**
Other customer accounts	**-**	**-**	**-**	**-**	**13,011,389***	**13,011,389**
Negative fair value of derivatives	**2,657**	**9,304**	**182,438**	**599,142**	**-**	**793,541**
Sukuk Issued	**-**	**-**	**4,548,121**	**-**	**-**	**4,548,121**
Total	**175,358,608**	**94,432,040**	**33,456,384**	**23,942,121**	**365,687,985**	**692,877,138**

* These are all payable on demand

The cumulative maturities of commitments and contingencies are given in note 18-c-1 of the consolidated financial statements.

2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Due to banks and other financial institutions	51,851,333	10,396,818	2,803,220	13,218,058	1,343,738*	79,613,167
Demand deposits and call accounts	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	127,543,852	48,733,385	7,996,420	19,243,689	-	203,517,346
Other customer accounts	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	8,128	20,223	217,063	715,991	-	961,405
Sukuk Issued	-	-	-	-	-	-
Total	179,403,313	59,150,426	11,016,703	33,177,738	364,229,166	646,977,346

* These are all payable on demand

The cumulative maturities of commitments and contingencies are given in note 18-c-1 of the consolidated financial statements.

32 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

(3) Market risks

The Group is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks arise on profit rate products, foreign currency and mutual fund products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and quoted market prices.

Market risk exposures are monitored by Treasury / Credit & Risk department and reported to ALCO on a monthly basis. ALCO deliberates on the risks taken and ensures that they are appropriate.

(a) Market risks - Trading Book

In order to manage the market risk in trading book, the Bank periodically applies a VAR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

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 Bank uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VAR that the bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The Bank's VaR related information for the year ended December 31, 2023 is as under. All the figures are in million SAR:

		2023	
	Foreign exchange risk	Profit rate risk	Overall
VAR as at December 31, 2023	**5.59**	**0.65**	**5.42**

		2022	
	Foreign exchange risk	Ptofit rate risk	Overall
VAR as at December 31, 2022	**6.36**	**0.70**	**6.30**

32 - Financial risk management (Continued)

(3) Market risks (Continued)

(b) Market risks - Non-Trading or Banking Book

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

(c) Market risks - banking operations

- **Profit rate risk**

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

Profit rate risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Group monitors its positions to ensure it is in line with Bank's risk management strategy.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Bank's consolidated statement of income or shareholders' equity. The sensitivity of the income is the effect of the assumed changes in profit rates on the net income for one year, based on the gross financing and investment assets held as at 31 December 2023 and 2022. All the banking book exposures are monitored and analyzed in currency concentrations, and relevant sensitivities are disclosed in SAR million.

2023		**SAR in Million**			
Currency	**Increase in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	**+25**	437	428	440	412

Currency	**Decrease in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	**-25**	(437)	(428)	(440)	(412)

2022		**SAR in Million**			
Currency	**Increase in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	+25	398	369	409	335

Currency	**Decrease in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	-25	(398)	(369)	(409)	(335)

32 - Financial risk management (Continued)

(3) Market risks (Continued)

(c) Market risks - banking operations (Continued)

- **Profit rate risk (Continued)**

Profit rate movements affect reported consolidated shareholders' equity through retained earnings, i.e. increases or decreases in financing and investment income.

Yield sensitivity of assets, liabilities and off balance sheet items:

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The Board sets limits on the level of mismatch of profit rate repricing that may be undertaken, which is monitored daily by Bank Treasury.

The table below summarizes the Group's exposure to profit rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

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

32 - Financial risk management (Continued)
(3) Market risks (Continued)
(c) Market risks - banking operations (Continued)
- Profit rate risk (Continued)

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2023	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets							
Cash and balance with SAMA and other central banks	-	-	-	-	-	41,767,641	41,767,641
Due from banks and other financial institutions	1,722,847	99,741	2,294,018	2,210,190	-	3,179,877*	9,506,673
Investments, net							
Investment in an associate	-	-	-	-	-	923,046	923,046
Investments held at amortized cost	27,059,436	2,901,687	127,080	16,027,541	64,785,581	-	110,901,325
FVIS investments	-	-	542,381	33,996	33,493	2,942,230	3,552,100
FVOCI investments	736,130	358,787	256,275	4,500,927	10,607,139	2,462,882	18,922,140
Financing, net							
Mutajara	61,749,377	25,896,517	13,369,431	26,337,879	12,901,049	-	140,254,253
Installment sale	27,308,833	24,922,425	45,920,414	172,429,171	156,860,192	-	427,441,035
Murabaha	9,531,676	8,743,010	1,812,036	451,804	443,430	-	20,981,956
Credit cards	2,183,563	413,052	816,301	1,672,477	442,169	-	5,527,562
Positive fair value of derivatives	501,769	251,068	41,294	66,782	16,763	-	877,676
Total Assets	130,793,631	63,586,287	65,179,230	223,730,767	246,089,816	51,275,676	780,655,407
Liabilities							
Due to banks and other financial institutions	56,646,470	13,337,574	14,650,891	11,636,807	406,376	568,771*	97,246,889
Demand deposits and call accounts	-	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	112,517,382	27,320,724	32,885,785	13,702,134	21,555,368	-	207,981,393
Other customer accounts	-	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	71,961	-	10,738	121,942	588,900	-	793,541
Sukuk Issued	-	-	-	3,789,117	-	-	3,789,117
Total liabilities	169,235,813	40,658,298	47,547,414	29,250,000	22,550,644	365,687,985	674,930,154
	-	-	-	-	-	106,759,431	106,759,431
Shareholders' equity							
Gap	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(421,171,740)	(1,034,178)
Profit Rate Sensitivity - On Consolidated Statement of Financial Positions	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(421,171,740)	(1,034,178)
Profit Rate Sensitivity - Off Consolidated Statement of Financial Positions	369,501	123,690	277,921	114,576	6,163	-	891,851
Total Profit Rate Sensitivity Gap	(38,811,683)	22,804,299	17,353,895	194,366,191	223,533,009	(421,171,740)	(1,926,029)
Cumulative Profit Rate Sensitivity Gap	(38,811,683)	(16,007,384)	1,346,511	195,712,702	419,245,711	(1,926,029)	-

* These are all receivable / payable on demand

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

32 - Financial risk management (Continued)
(3) Market risks (Continued)
(c) Market risks - banking operations (Continued)
- Profit rate risk (Continued)

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2022	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets							
Cash and balance with SAMA and other central banks	2,053,000	-	-	-	-	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	2,916,990	636,824	1,276,315	-	4,765,889*	25,655,929
Investments, net							
Investment in an associate	-	-	-	-	-	820,717	820,717
Investments held at amortized cost	26,680,925	1,902,338	1,101,300	7,357,874	57,253,203	-	94,295,640
FVIS investments	-	502,534	-	232,611	133,497	2,399,169	3,267,811
FVOCI investments	-	-	17,547	339,228	1,301,771	2,103,428	3,761,974
Financing, net							
Mutajara	47,052,773	26,094,519	11,186,546	21,352,849	11,132,402	-	116,819,089
Installment sale	27,306,058	25,954,950	47,333,886	173,495,484	151,531,052	-	425,621,430
Murabaha	9,648,698	8,850,349	1,834,282	457,351	236,233	-	21,026,913
Credit cards	2,160,444	384,673	769,343	1,533,068	23,154	-	4,870,682
Positive fair value of derivatives	393,722	248,474	66,110	165,540	122,297	-	996,143
Total Assets	131,355,531	66,854,827	62,945,838	206,210,320	221,733,609	50,088,699	739,188,824
Liabilities							
Due to banks and other financial institutions	46,019,431	9,317,265	1,893,297	12,263,466	1,920	1,343,738*	70,839,117
Demand deposits and call accounts	-	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	126,617,538	15,254,614	33,124,835	7,938,345	19,103,928	-	202,039,260
Other customer accounts	-	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	169,251	36,065	2,152	134,399	619,538	-	961,405
Sukuk issued	-	-	-	-	-	-	-
Total liabilities	172,806,220	24,607,944	35,020,284	20,336,210	19,725,386	364,229,166	636,725,210
Shareholders' equity	-	-	-	-	-	100,225,035	100,225,035
Gap	(41,450,689)	42,246,883	27,925,554	185,874,110	202,008,223	(414,365,502)	2,238,579
Profit Rate Sensitivity - On Consolidated Statement of Financial Positions	(41,450,689)	42,246,883	27,925,554	185,874,110	202,008,223	(414,365,502)	2,238,579
Profit Rate Sensitivity - Off Consolidated Statement of Financial Positions	369,491	147,022	361,733	66,020	9,510	-	953,776
Total Profit Rate Sensitivity Gap	(41,820,180)	42,099,861	27,563,821	185,808,090	201,998,713	(414,365,502)	1,284,803
Cumulative Profit Rate Sensitivity Gap	(41,820,180)	279,681	27,843,502	213,651,592	415,650,305	1,284,803	-

* These are all receivable / payable on demand

32 - Financial risk management (Continued)
(3) Market risks (Continued)
(c) Market risks - banking operations (Continued)
• Foreign currency risks

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group management has set limits on positions by currencies, which are regularly monitored 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 31 December 2023 and 2022, on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonably possible movements 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. A positive effect shows a potential increase in the consolidated statement of income or consolidated shareholders' equity, whereas a negative effect shows a potential net reduction in the consolidated statement of income or consolidated statement of changes in shareholders' equity.

(SAR in '000)

Currency Exposures As at 31 December 2023	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
US Dollar	**+/-2**	**84,480**	**84,480**
Indian Rupee	**+/-5**	**2,491**	**2,491**
Malaysian Ringgit	**+/-5**	**28,187**	**28,187**
Jordanian Dinar	**+/-2**	**11,943**	**11,943**
Kuwaiti Dinar	**+/-5**	**8,811**	**8,811**

(SAR in '000)

Currency Exposures As at 31 December 2022	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
US Dollar	+/-2	**41,005**	**41,005**
Indian Rupee	+/-5	**2,491**	**2,491**
Malaysian Ringgit	+/-5	**45,630**	**45,630**
Jordanian Dinar	+/-2	**25,874**	**25,874**
Kuwaiti Dinar	+/-5	**19,502**	**19,502**

Currency position

The Group manages exposure to the 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 both overnight and intra-day positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2023 **Long/(Short)**	2022 Long/(Short)
US Dollar	**4,223,983**	1,152,067
Jordanian Dinar	**124,566**	550,388
Kuwaiti Dinar	**1,409,358**	437,238
Indian Rupee	**597,154**	127,326
Malaysian Ringgit	**440,571**	1,189,385
Others	**448,413**	381,833
Total	**7,244,045**	3,838,237

32 - Financial risk management (Continued)

(3) Market risks (Continued)

(d) Price risk

The Group has certain investments which are carried at fair value through the income statement (FVIS) and fair value through other comprehensive income (FVOCI). Price risk arises due to changes in these investments.

As these investments are in a limited number of funds and are not significant to the total investment portfolio, the Group monitors them periodically and determines the risk of holding them based on changes in market prices.

Other investments have little or no risks as these are bought for immediate sales. Investments are made only with a confirmed sale order, and therefore involve minimal risk.

• 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 reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's equity investments held as FVOCI due to reasonably possible changes in equity indices, with all other variables held constant, as at 31 December is as follows:

	2023		2022	
Local Market Indices	Change in Equity price %	Effect in SAR Million	Change in Equity price %	Effect in SAR Million
Equity investments	**+ /- 10**	**+ /- 86,696**	+ /- 10	+/- 30,354

(e) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events.

Operational risk is inherent in most of the Group's activities. This necessitates an integrated approach to the identification, measurement and monitoring of operational risk.

An Operational Risk Management Unit (ORMU) has been established within the Credit and Risk Management Group, which facilitates the management of Operational Risk within the Group. ORMU facilitates the management of Operational Risk by setting policies, developing systems, tools and methodologies, overseeing their implementation and use within the business units and providing ongoing monitoring and guidance across the Group.

The three primary operational risk management processes in the Group are Risk Control Self-Assessment, Operational Loss Database and eventual implementation of Key Risk Indicators which are designed to function in a mutually reinforcing manner.

32 - Financial risk management (Continued)

(f) Impact of climate risk on accounting judgements and estimates

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transitions risks:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. Refer to note 31 below where this is evidenced in the analysis of the contractual maturities. Where the maturity of the exposures is longer than the estimated time horizon for climate risk impact, for example, for those assets with a longer maturity, the nature of the counterparties was assessed. This assessment showed that for these assets, the nature of the counterparties as described above would limit any material impact. Refer to note 31 below where credit risk per industry segment is disclosed. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Classification of ESG-linked (or sustainability-linked) financing and sukuks: For financing and sukuks with sustainability-linked features, the Group determines whether the instrument passes the solely payments of principal and profit test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements. Some features may be de minimis or non-genuine. Based on the size of the portfolio of these products held by the Group at 31 December 2022, any impact was assessed to be immaterial.

Fair value measurement: The Group has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Group has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group is making progress on embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Group is re-evaluating its model landscape to incorporate climate-related risks and their impact on customer's credit risk.

The impact of climate related risks has been assessed on a number of reported amounts and the accompanying disclosures.

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

33 - Geographical concentration

(a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows:

2023	Kingdom of Saudi Arabia	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
Assets						
Cash and balances with SAMA and other central banks	39,800,473	806,836	501,739	236,119	422,474	41,767,641
Due from banks and other financial institutions	842,044	3,131,503	1,467,494	1,637,502	2,428,130	9,506,673
Financing, net						
Mutajara	138,160,222	2,094,031	-	-	-	140,254,253
Installment sale	422,022,173	3,795,455	-	1,623,407	-	427,441,035
Murabaha	14,262,858	272,134	-	6,446,964	-	20,981,956
Credit cards	5,504,750	22,736	-	76	-	5,527,562
Investments, net						
Investment in an associate	923,046	-	-	-	-	923,046
Investments held at amortized cost	97,560,013	6,615,356	757,961	2,525,436	3,442,559	110,901,325
FVIS Investments	1,635,665	1,131,194	-	-	785,241	3,552,100
FVOCI investments	13,620,021	2,869,525	-	1,437,691	994,903	18,922,140
Total assets	734,331,265	20,738,770	2,727,194	13,907,195	8,073,307	779,777,731
Liabilities						
Due to banks and other financial institutions	94,586,369	1,188,292	-	1,472,228	-	97,246,889
Customer deposits	556,310,037	6,723,368	-	10,067,202	-	573,100,607
Total liabilities	650,896,406	7,911,660	-	11,539,430	-	670,347,496
Commitments and contingencies	38,892,876	1,229,082	-	4,052,942	-	44,174,900
Credit exposure (stated at credit equivalent value)	8,431,254	254,785	-	3,589,584	-	12,275,623

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

33 - Geographical concentration (Continued)

(a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows: (Continued)

2022	Kingdom of Saudi Arabia	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
Assets						
Cash and balances with SAMA and other central banks	41,330,219	51,650	595,398	5,789	69,440	42,052,496
Due from banks and other financial institutions	7,289,327	12,320,248	8,961	892,388	5,145,005	25,655,929
Financing, net						
Mutajara	115,377,226	1,441,863	-	-	-	116,819,089
Installment sale	420,698,623	3,665,800	-	1,257,007	-	425,621,430
Murabaha	14,726,023	203,718	-	6,097,173	-	21,026,914
Credit cards	4,852,417	18,174	-	91	-	4,870,682
Investments, net						
Investment in an associate	820,717	-	-	-	-	820,717
Investments held at amortized cost	86,777,113	5,780,440	-	1,204,193	533,894	94,295,640
FVIS Investments	2,992,360	-	-	-	275,451	3,267,811
FVOCI investments	2,302,311	254,060	-	1,205,603	-	3,761,974
Total assets	697,166,336	23,735,953	604,359	10,662,244	6,023,790	738,192,682
Liabilities						
Due to banks and other financial institutions	66,462,911	171,512	-	4,204,694	-	70,839,117
Customer deposits	552,976,747	6,591,393	-	5,356,548	-	564,924,688
Total liabilities	619,439,658	6,762,905	-	9,561,242	-	635,763,805
Commitments and contingencies	32,690,438	160,370	-	3,927,813	3,098,099	39,876,720
Credit exposure (stated at credit equivalent value)	11,696,477	-	-	3,927,611	-	15,624,088

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

33 - Geographical concentration (Continued)

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

2023	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
Non-performing				
Mutajara	**1,893,156**	**22,547**	**-**	**1,915,703**
Installment sale	**1,765,443**	**54,340**	**21,206**	**1,840,989**
Murabaha	**501,410**	**-**	**-**	**501,410**
Credit cards	**39,837**	**-**	**-**	**39,837**
Allowance for impairment of financing				
Mutajara	**(2,569,371)**	**(34,467)**	**-**	**(2,603,838)**
Installment sale	**(5,051,811)**	**(65,881)**	**(58,125)**	**(5,175,817)**
Murabaha	**(713,722)**	**-**	**(36,509)**	**(750,231)**
Credit cards	**(195,976)**	**(75)**	**-**	**(196,051)**

2022	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
Non-performing				
Mutajara	668,196	5,939	-	674,135
Installment sale	2,285,460	45,140	19,867	2,350,467
Murabaha	501,218	-	32,063	533,281
Credit cards	28,052	-	-	28,052
Allowance for impairment of financing				
Mutajara	(2,966,049)	(35,697)	-	(3,001,746)
Installment sale	(4,485,681)	(67,547)	(62,867)	(4,616,095)
Murabaha	(713,859)	-	(56,524)	(770,383)
Credit cards	(140,583)	(69)	-	(140,652)

Refer to Note 7-1a for performing financing.

34 - Fair values of financial assets and liabilities

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or additions).

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.

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

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

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

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

34 - Fair values of financial assets and liabilities (Continued)

2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,525,681	217,047	500,000	1,808,634	2,525,681
FVOCI - Equity investments	3,282,168	1,349,407	1,908,412	24,349	3,282,168
FVIS - Equity investments	118,803	118,803	-	-	118,803
FVIS Sukuk	122,374	37,782	84,592	-	122,374
FVOCI Sukuk	14,533,686	9,107,571	5,425,191	924	14,533,686
FVIS Structured Products	785,243	529,158	-	256,085	785,243
FVOCI Structured Products	1,106,286	1,106,286	-	-	1,106,286
Positive fair value Shariah compliant derivatives	877,676	-	877,676	-	877,676
Financial assets not measured at fair value:					
Due from banks and other financial institutions	9,506,673	-	-	9,704,922	9,704,922
Investments held at amortized cost:					
Murabaha with Saudi Government and SAMA	20,067,953	-	20,275,002		20,275,002
Sukuk	87,891,799	12,903,257	69,073,906	-	81,977,163
Structured Products	2,941,573	2,941,573	-	-	2,941,573
Net Financing	594,204,806	-	-	589,449,280	589,449,280
Total	737,964,721	28,310,884	98,144,779	601,244,194	727,699,857
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	793,541	-	793,541	-	793,541
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	97,246,889	-	-	97,018,458	97,018,458
Customers' deposits	573,100,607	-	-	576,794,255	576,794,255
Total	671,141,037	-	793,541	673,812,713	674,606,254

2022	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,214,056	24,690	1,243,499	945,867	2,214,056
FVOCI - Equity investments	1,517,874	803,608	714,266	-	1,517,874
FVIS - Equity investments	156,613	156,613	-	-	156,613
FVIS Sukuk	159,591	-	159,591	-	159,591
FVOCI Sukuk	2,132,880	564,252	1,568,628	-	2,132,880
FVIS Structured Products	737,551	737,551	-	-	737,551
FVOCI Structured Products	111,438	-	-	111,438	111,438
Positive fair value Shariah compliant derivatives	996,143	-	996,143	-	996,143
Financial assets not measured at fair value:			-		
Due from banks and other financial institutions	25,655,929	-	-	25,619,542	25,619,542
Investments held at amortized cost:					
Murabaha with Saudi Government and SAMA	22,696,693	-	22,918,411	-	22,918,411
Sukuk	70,608,347	7,584,857	57,392,773	-	64,977,630
Structured Products	1,033,894	1,033,894	-	-	1,033,894
Net Financing	568,338,114	-	-	561,795,543	561,795,543
Total	696,359,123	10,905,465	84,993,311	588,472,390	684,371,166
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	961,405	-	961,405	-	961,405
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	70,839,117	-	-	71,410,981	71,410,981
Customers' deposits	564,924,688	-	-	567,439,463	567,439,463
Total	636,725,210	-	961,405	638,850,444	639,811,849

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

34 - Fair values of financial assets and liabilities (Continued)

FVIS investments classified as level 2 include mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) at fair market value as at the date of statement of consolidated financial position. These are quoted on tadawul.

FVIS investments classified as level 3 include mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) at fair market value as at the date of statement of consolidated financial position.

For the level 2 Sukuk investments, the Group uses values obtained from reputable third parties where they use valuation techniques. Those valuation techniques use observable market inputs embedded in the models that include risk adjusted discount rates, marketability and liquidity discounts.

For the level 3 structure products investments are valued using reputable third parties valuation prices, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

Gross financing and Due to banks and other financial institutions classified as level 3 has been valued using expected cash flows discounted at relevant current effective profit rate. Investments held at amortized cost, due to / from banks and other financial institutions have been valued using the actual cash flows discounted at relevant SIBOR/ SAMA murabaha rates.

The value obtained from the relevant valuation model may differ from the transaction price of a financial instrument. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

During the current year, no financial assets / liabilities have been transferred between level 1 and/ or level 2 and/ or level 3 of the fair value hierarchy.

35 - Related party tranactions

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions are at agreed terms between the parties as at and for the year ended 31 December are as follows:

	2023	2022
Related parties		
Members of the Board of Directors		
Financing	**953,572**	806,060
Current accounts	**576,049**	389,941
Companies and establishments guaranteed by members of the Board of Directors		
Financing	**4,793,033**	8,265,177
Contingent liabilities (*)	**837,317**	4,999,867
Associate		
Contributions payable	**111,608**	121,709
Receivable against claims	**522,390**	351,061
Bank balances	**401,627**	249,200

(*) = off balance sheet items.

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

35 - Related party transactions (Continued)

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements for the years ended 31 December are as follows:

	2023	2022
Net income from financing and other financial assets	**723,123**	326,549
Mudaraba Fees	**135,395**	128,090
Employees' salaries and benefits (air tickets)	**2,683**	2,666
Rent and premises related expenses	**541**	484
Contribution – policies written	**679,227**	718,691
Claims incurred and notified during the year	**422,076**	587,154
Claims paid	**250,747**	497,413
Board of Directors' remunerations	**6,125**	5,921

The amounts of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the years ended 31 December are as follows:

	2023	2022
Short-term benefits	**167,883**	130,284
Provision for employees' end of service benefits	**3,367**	2,241

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

36 - Special commissions excluded from the consolidated statement of income

The following represents the movements in charities account, which is included in other liabilities (see note 15) for the year ended 31 December:

	2023	2022
Balance at beginning of the year	**6,075**	29,771
Additions during the year	**8,676**	27,855
Payments made during the year	**(12,860)**	(51,551)
Balance at end of the year	**1,891**	6,075

37 - Investment management services

The Group offers investment services to its customers. The Group has established a number of Mudaraba funds in different investment aspects. These funds are managed by the Group's Investment Department, and a portion of the funds is also invested in participation with the Group. The Group also offers investment management services to its customers through its subsidiary, which include management of funds with total assets under management of SAR 76,342 million (2022: SAR 50,459 million). The mutual funds are not controlled by the Group and neither are under significant influence to be considered as associates / subsidiaries. Mutual funds' financial statements are not included in the consolidated financial statements of the Group. The Group's share of investments in these funds is included under investments. Funds invested by the Group in those investment funds amounted to SAR 827 million at 31 December 2023 (2022: SAR 617 million).

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

38 - Capital risk management

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

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

39 - Capital adequacy

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

As part of SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity

Tier I (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

Starting June 2021, the Group has opted to apply SAMA allowance to recognize 100% of IFRS9 transitional adjustment amount in the bank's Common Equity Tier I (CET 1) which resulted in an increase of SAR 961 million as of December 2023.

In line with SAMA and the internationally agreed timeline set by the Basel Committee on Banking Supervision (BCBS), the global standard-setter for the prudential regulation of banks, the Group started reporting Capital-Adequacy Ratios (CAR) as per Basel III: Finalizing post-crisis reforms regulations issued by SAMA through its Circular Number 44047144 effectively from January 1, 2023.

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 consolidated statement of financial position, commitments and contingencies, to reflect their relative risk as of 31 December:

	2023	2022
Credit risk weighted assets	**471,038,148**	454,047,013
Operational risk weighted assets	**38,443,216**	42,282,263
Market risk weighted assets	**10,848,214**	1,643,421
Total Pillar I - risk weighted assets	**520,329,578**	497,972,697
Tier I capital	**106,151,971**	100,932,280
Tier II capital	**5,846,939**	5,675,588
Total tier I & II capital	**111,998,910**	106,607,868
Capital Adequacy Ratio %		
Tier I ratio	**20.40%**	20.27%
Tier I & II ratio	**21.52%**	21.41%

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

40 - Shariah compliant derivatives

(a) Profit rate swaps

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

(b) Forwards and Futures

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

(c) FX Swaps

FX swaps are agreements between two parties to exchange a given amount of one currency for an amount of another currency based on the current spot rate and forward rates quoted in the interbank market. The two parties will then settle their respective foreign exchange notional amounts governed by the previously agreed specific forward rate, The forward rate locks in the exchange rate at which the funds will be exchanged in the future.

(d) Cash flow hedges:

The Bank is exposed to variability in future yield cash flows on non-trading assets and liabilities which bear yield at a variable rate. The Bank uses profit rate swaps as cash flow hedges of these profit rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and profit rate risks which are hedged with cross currency profit rate swaps. Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of income.

(e) Positive and negative fair values of derivative financial instruments, together with the 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 necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

2023	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	**840,868**	**(771,974)**	**31,646,205**	**735,000**	**1,143,073**	**17,893,603**	**11,874,529**
Foreign exchange forward contracts	**2,539**	**(2,267)**	**270,863**	**270,863**	**-**	**-**	**-**
FX Swaps	**176**	**(1,020)**	**10,387,362**	**6,262,417**	**4,124,945**	**-**	**-**
Total Held for trading	**843,583**	**(775,261)**	**42,304,430**	**7,268,280**	**5,268,018**	**17,893,603**	**11,874,529**
Held as cash flow hedge:							
Profit rate swaps	**34,093**	**(18,280)**	**8,743,877**	**-**	**-**	**8,743,877**	**-**
Total Held as cash flow hedge	**34,093**	**(18,280)**	**8,743,877**	**-**	**-**	**8,743,877**	**-**
Total Shariah compliant derivatives	**877,676**	**(793,541)**	**51,048,307**	**7,268,280**	**5,268,018**	**26,637,480**	**11,874,529**

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

40 - Shariah compliant derivatives (Continued)

(e) Positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity and monthly average(Continued)

2022	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	974,428	(908,244)	23,037,476	-	3,103,963	9,364,468	10,569,045
Foreign exchange forward contracts	10,529	(10,428)	280,798	186,105	91,331	3,362	-
FX Swaps	11,186	(758)	4,708,746	4,220,988	487,758	-	-
Total Held for trading	996,143	(919,430)	28,027,020	4,407,093	3,683,052	9,367,830	10,569,045
Held as cash flow hedge:							
Profit rate swaps	-	(41,975)	3,000,000	-	-	3,000,000	-
Total Held as cash flow hedge	-	(41,975)	3,000,000	-	-	3,000,000	-
Total Shariah compliant derivatives	996,143	(961,405)	31,027,020	4,407,093	3,683,052	12,367,830	10,569,045

2023	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Cash inflows (assets)	**191,067**	**280,412**	**-**	**-**

2022	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	167,889	285,793	13,675	-

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

2023 Description of hedged items:	**Fair Value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Negative fair value**	**Positive fair value**
Floating profit rate investments	**4,018,691**	**4,000,000**	Cashflow	Profit rate swaps	**(18,280)**	**5,011**
Floating profit rate Deposit	**4,714,638**	**4,743,750**	Cashflow	Profit rate swaps	**-**	**29,082**

2022 Description of hedged items:	Fair Value	Hedge inception value	Risk	Hedging instrument	Negative fair value	Positive fair value
Floating profit rate investments	3,032,876	3,000,000	Cash flow	profit rate swaps	41,975	-

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

40 - Shariah compliant derivatives (Continued)

(g) The amounts relating items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 were as follows:

2023	**Positive fair value**	**Negative fair value**	**Notional amount Total**	**Change in fairvalue used for calculating hedge ineffectiveness for 2023**	**Changes in the value of the hedging instrument recognised in OCI**	**Hedge ineffectiveness recognised in statement of income**	**Amount reclassified from the hedge reserve to statement of income**
Held as cashflow hedges:							
Profit rate swaps	**34,093**	**(18,280)**	**8,743,750**	**-**	**15,813**	**-**	**-**
Total	**34,093**	**(18,280)**	**8,743,750**	**-**	**15,813**	**-**	**-**

2022	Positive fair value	Negative fair value	Notional amount Total	Change in fairvalue used for calculating hedge ineffectiveness for 2022	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
Held as cashflow hedges:							
Profit rate swaps	-	(41,975)	3,000,000	-	(41,975)	-	-
Total	-	(41,975)	3,000,000	-	(41,975)	-	-

40 - Shariah compliant derivatives (Continued)

(h) The amounts relating to items designated as hedged items were as follows:

2023	**Line item in the statement of financial position in which hedge item is included**	**Changes in value used for calculating hedge ineffectiveness**	**Cashflow hedge reserve**	**Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied**
Held as cash flow hedges:				
Sukuk	Investment at AC	**-**	**(13,269)**	**-**
Syndicated Murabaha Facility	Due to Bank & Other Financial Institution	**-**	**29,082**	**-**
Total		**-**	**15,813**	**-**

2022	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
Held as cash flow hedges:				
Sukuk	Investment at AC	-	(41,975)	-
Syndicated Murabaha Facility	Due to Bank & Other Financial Institution	-	-	-
Total		-	(41,975)	-

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

41 - IBOR Transition (Profit Rate Benchmark Reforms)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition and concluded on the transition plan for the exposures not yet transitioned to alternate benchmark profit rates. The Group was exposed to the effects of USD LIBOR reform on its financial assets, as set out within the table below. The Group had no exposure to any other LIBOR rates.

	Yet to transitioned to an alternative benchmark profit rate as at 31 December 2023	Transition plan for yet to be transitioned exposures
	Carrying Value/Nominal Amount	
Non derivative assets exposed to USD LIBOR	**Assets**	
Financing	3,422,703	Expected to transition to alternative benchmark by 30/06/2024

The following table contains details of all the hedging instruments used in the Group's hedging strategies which reference USD LIBOR and which have not been transitioned to SOFR or an alternative profit rate benchmark:

Derivative assets exposed to USD LIBOR	Notional amount directly impacted by IBOR reform
Held for trading:	
Profit rate swaps	**3,024,362**

42 - Profit sharing investment accounts

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

As of December 31, 2023, all joint financing and investments are funded by comingled pool which includes funds from investment account holders (IAH) (including Mudarabah and Wakala) and the Bank's equity.

Financing, investments, due from financial institutions and other liquid assets of the comingled pool (including Bank's equity by type of contract) are as follows:

	2023	2022
Instalment sale	**34,502,005**	25,555,217
Credit cards	**4,456,950**	1,110,294
Mutajara	**12,422,962**	5,937,107
Due from financial institutions and other liquid assets	**4,685,275**	2,737,586
Total financing, investments, due from the financial institutions and other liquid assets	**56,067,192**	35,340,204

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

42 - Profit sharing investment accounts (Continued)

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

Computation of Pool income is as follows:

	2023	2022
Pool Income from Financing	**3,515,269**	360,066
Income from Investments	**761,849**	608,389
Total Pool Income	**4,277,118**	968,455
Profit Equalization Reserve (PER) balance at year end	**134,279**	13,731
Pool Income	**4,277,118**	968,455
Mudarib fee	**(1,433,050)**	(243,542)
Movement from PER	**(120,548)**	(13,517)
Total amount paid to IAH Mudarabah	**(2,272,265)**	(603,072)
Total amount attributable to shareholders pool including Wakala	**451,255**	108,324

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

	IAH Share	**Bank Share**
Profit Sharing Allocation Percentages	**61%**	**39%**

(c) The equity of the IAHs at the end of the reporting period:

	2023	2022
Investment account holders balance before profit	**50,349,525**	32,279,450
Add: Profit for the IAH during the year/ period	**2,272,265**	603,072
Less: Profit paid out during the year	**(1,950,808)**	(509,353)
Total value of Investment Account Holders after share of profits and before the fair value reserves	**50,670,982**	32,373,169
Share in fair value reserve	**-**	-
Total equity for Investment Account Holders	**50,670,982**	32,373,169

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

Profit equalization reserve (PER) is created by appropriating a specific amount out of the profits earned on the commingled pool of assets before the allocation to shareholders and the IAH. The amounts appropriated to PER reduce the profits available for distribution to both, the shareholders and the IAH.

PER allows the Bank to mitigate considerably its exposure to displaced commercial risk. PER collectively belongs to investment account holders and shareholders for smoothing their profit payouts. While the purpose of these reserves is to enhance the profit payout to IAH in periods when the assets in an Bank's asset pool have underperformed, it is also the case that a PER can be used for smoothing or enhancing dividend payouts to shareholders if so desired by the management.

With regard to the PER, IAH agree in advance in the contract that regulates their relationship with Bank, on the proportion of their income that may be appropriated to each of these reserves. This amount is determined by the management of the Bank at their discretion.

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

42 - Profit sharing investment accounts (Continued)

(e) Displaced commercial risk

Rate of return risk can give rise to displaced commercial risk. To mitigate displaced commercial risk, the Bank may decide to waive its portion of profits to increase the returns for the IAH.

(f) Movement of PER

	2023	2022
Beginning Balance	**13,731**	214
Addition	**213,144**	160,637
Transferred	**(92,596)**	(147,120)
Closing Balance	**134,279**	13,731

43 - Zakat

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

(a) Provisions for Zakat and Income tax for the years ended December 31 is summarized as follows:

	2023	2022
Beginning balance for Zakat Provision	**2,836,371**	3,424,929
Provided during the year	**1,908,126**	1,971,865
Zakat Adjustment	**(13,703)**	-
Payments made during the year	**(1,971,690)**	(2,560,423)
Provisions for Zakat and Income tax	**2,759,104**	2,836,371

The Group has filed the required Zakat returns with the ZATCA which are due on April 30 each year. The Group's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership of the Bank to each of its subsidiaries.

On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Group has provided for Zakat for the year ended December 31, 2023 and 2022 on the basis of the Group's understanding of these rules.

44 - Approval of the Board of Directors

The consolidated financial statements were approved by the Board of Directors on 26 Rajab 1445 H (corresponding to 07 February 2024).