Saudi Awwal Bank
(formerly known as The Saudi British Bank)
Consolidated Financial Statements
For the year ended

31 December 2023

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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KPMG

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Independent Auditors' Report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Saudi Awwal Bank (formerly "The Saudi British Bank") (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information and other explanatory 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 Organisation 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances	
As at 31 December 2023, the gross loans and advances of the Group were SAR 222.06 billion against which an expected credit loss ("ECL") allowance of SAR 6.13 billion was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include: 1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Group has applied additional judgments to identify and estimate the likelihood of borrowers experiencing SICR due to the current economic outlook. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to, assessment of financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.	• We obtained and updated our understanding of management's assessment of the ECL allowance against loans and advances, including the Group's internal rating model, accounting policy and model methodology, considering any key changes made during the year. • We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness, of the key controls (including relevant IT general and application controls) over: o the ECL model, including governance over the model and any model updates performed during the year, including approval by the IFRS 9 Committee of the key inputs, assumptions and post model overlays; o the classification of loans and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; o the IT systems and applications supporting the ECL model; and o the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: o the internal ratings determined by management, based on the Group's internal rating model, and considered these assigned ratings in light of external market conditions and available industry information. We also confirmed that these were consistent with the ratings used as inputs in the ECL model; and o management's computations of ECL.

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Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances (continued)	
3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model. The application of these judgments and estimates results in greater estimation uncertainty, and the associated audit risk regarding the ECL calculation as at 31 December 2023. *Refer to note 1.1f(i) to the consolidated financial statements which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; the material accounting policies note 2B(v) for the impairment of financial assets; note 6 which contains the disclosure of impairment against loans and advances; and note 30(ii) for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.*	• For selected loans, we evaluated management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. • We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio. • We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustments to the output from the ECL model, due to data or model limitations or otherwise. • We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023. • Where required, we involved our experts to assist us in evaluating model calculations, interrelated inputs (including EADs, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in the post model overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); special commission rate and currency options ("options"); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flows or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well. We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation and, where appropriate, hedge effectiveness. As at 31 December 2023, the positive and negative fair values of derivatives held by the Group amounted to SAR 2.37 billion and SAR 2.23 billion respectively. *Refer to the basis of preparation note 1.1f(ii) to the consolidated financial statements which sets out the critical accounting judgments, estimates and assumptions regarding fair value measurement; the material accounting policies note 2.D for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.*	• We assessed the design and implementation, and tested the operating effectiveness, of the key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated and manual controls covering the fair valuation process for derivatives. • We selected a sample of derivatives and: o tested the accuracy of system bookings by comparing the terms and conditions with relevant agreements and deal confirmations; o assessed the appropriateness of the key inputs to the derivative valuation models; o involved our experts to assist us in re-performing valuations of the derivatives and compared the result with management's valuation; and o considered the hedge effectiveness performed by the Group and assessed the related hedge accounting. • We assessed the adequacy of disclosures regarding the valuation basis in accordance with IFRS 13 as endorsed in the Kingdom of Saudi Arabia and inputs used in the fair value measurement as detailed in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill	
As at 31 December 2023, the Group has goodwill with a carrying value of SAR 8.78 billion. Management has conducted a goodwill impairment test as at 31 December 2023. We considered the impairment assessment of goodwill as a key audit matter because it involves the determination of value in use ("VIU"). The VIU calculations are based on future forecasts, which are inherently uncertain, require significant judgment and are subject to the risk of management bias. Aside from profit forecasts, other significant judgments included in the VIU are discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgments and assumptions underpinning the impairment assessments are inappropriate, then the goodwill balance may be misstated. *Refer to the material accounting policies note 2H(i) to the consolidated financial statements for the impairment policy for goodwill; and note 9 which contains the disclosure and the impairment testing of goodwill.*	• We obtained an understanding of management's processes for impairment assessment and evaluated the design and implementation of controls. • We assessed whether the segmentation of the cash generating units ("CGUs") reflects our understanding of the business and how it operates. • We perused the strategic / operating plan as approved by the Board of Directors, and checked that forecast information used in the goodwill impairment assessment conducted by management was consistent with this plan. • We involved our experts and assessed the reasonableness of the VIU calculations and the underlying assumptions, including cash flow projections and discount rates used. • We considered the sensitivity of the results of the VIU model to the various key assumptions, such as long term growth rate and discount rate, within a reasonably possible range. • We performed cross-checks against other relevant market information. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

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

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

Other information included in the Group's 2023 annual report

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

Independent Auditors' Report (continued)

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

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

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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.

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Independent Auditors' Report (continued)

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

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.

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License Number 447

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(05 Sha'ban 1445H)
(15 February 2024)

Consolidated statement of financial position

As on 31 December 2023

	Notes	2023 SAR' 000	2022 SAR' 000 (Restated)
ASSETS			
Cash and balances with Saudi Central Bank ("SAMA")	3	16,741,235	19,258,717
Due from banks and other financial institutions, net	4	7,407,481	5,871,533
Positive fair value of derivatives, net	11	2,368,382	2,538,074
Investments, net	5	96,566,836	86,363,159
Loans and advances, net	6	215,935,845	183,132,249
Investment in an associate	7	462,046	599,289
Other assets	10	2,758,518	2,228,977
Property, equipment and right of use assets, net	8	3,844,926	3,621,644
Goodwill and other intangibles, net	9, 39	10,556,367	10,790,482
Total assets		**356,641,636**	**314,404,124**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	12	32,196,102	25,517,303
Customers' deposits	13	240,940,306	214,278,851
Negative fair value of derivatives, net	11	2,231,470	1,907,436
Debt securities in issue	14	5,177,862	5,114,836
Other liabilities	15	14,196,333	12,949,047
Total liabilities		**294,742,073**	**259,767,473**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	16	20,547,945	20,547,945
Share premium		8,524,882	8,524,882
Statutory reserve	17	20,547,945	20,547,945
Other reserves	18	(1,414,343)	(1,182,348)
Retained earnings	39	9,708,134	6,198,227
Total equity attributable to equity holders of the Bank		**57,914,563**	**54,636,651**
Additional Tier 1 Sukuk	19	3,985,000	-
Total equity		**61,899,563**	**54,636,651**
Total liabilities and equity		**356,641,636**	**314,404,124**

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

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director & Authorized Member	Board Chair

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated statement of income

For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000 (Restated)
Continuing Operations			
Special commission income	21	17,088,441	9,321,874
Special commission expense	21	(6,746,972)	(1,913,587)
Net special commission income		**10,341,469**	**7,408,287**
Fee and commission income	22	3,255,403	2,770,173
Fee and commission expense	22	(2,110,865)	(1,884,517)
Net fee and commission income		**1,144,538**	**885,656**
Exchange income, net		915,124	777,313
Gain from FVSI financial instruments, net	23	345,598	430,861
Dividend income		4,747	-
Losses on FVOCI debt instruments, net	18	(4,892)	(11,654)
(Losses) / gain on amortised cost investments, net		(14,929)	30,505
Other operating (expense) / income, net	39	(21,195)	129,260
Total operating income		**12,710,460**	**9,650,228**
Provision for expected credit losses, net	30(i) (a)	(562,442)	(445,261)
Operating expenses			
Salaries and employee related expenses	24	(2,087,799)	(1,809,465)
Rent and premises related expenses		(73,646)	(49,957)
Depreciation and amortization	8, 9	(565,603)	(464,482)
General and administrative expenses		(1,386,042)	(1,337,942)
Total operating expenses		**(4,113,090)**	**(3,661,846)**
Income from operating activities		**8,034,928**	**5,543,121**
Share in earnings of an associate	7	188,214	172,144
Net income for the year before Zakat and income tax		**8,223,142**	**5,715,265**
Provision for Zakat and income tax	26	(1,220,769)	(835,810)
Net income for the year after Zakat and income tax from continuing operations		**7,002,373**	**4,879,455**
Net loss from discontinued operations	40	-	(53,860)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Attributable to:			
Equity holders of the Bank		7,002,373	4,827,605
Non-controlling interests		-	(2,010)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Basic and diluted earnings per share (in SAR) from continuing operations attributable to equity holders of the Bank	25, 39	**3.41**	**2.38**
Basic and diluted losses per share (in SAR) from discontinued operations attributable to equity holders of the Bank	25	**-**	**(0.03)**
Basic and diluted earnings per share (in SAR)	25	**3.41**	**2.35**

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

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director & Authorized Member	Board Chair

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Notes	2023 SAR' 000	2022 SAR' 000 (Restated)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to consolidated statement of income in subsequent years			
Net changes in fair value of FVOCI equity instruments	18	207,197	4,778
Re-measurement of defined benefit liability	18,28	(23,467)	3,088
Items that will be reclassified to consolidated statement of income in subsequent years			
Debt instrument at FVOCI:			
Net changes in fair value, net	18	(420,181)	(1,436,597)
Transfer to consolidated statement of income, net	18	4,892	11,654
Cash flow hedges:			
Net changes in fair value	18	149,222	228,784
Transfer to consolidated statement of income, net	18	(144,717)	(25,617)
Total other comprehensive loss		**(227,054)**	**(1,213,910)**
Total comprehensive income for the year		**6,775,319**	**3,611,685**
Attributable to:			
Equity holders of the Bank:			
Continuing operations		6,775,319	3,667,555
Discontinuing operations		-	(53,860)
Non-controlling interests – discontinued operations		-	(2,010)
Total comprehensive income for the year		**6,775,319**	**3,611,685**

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

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director & Authorized Member	Board Chair

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated statement of changes in equity

For the year ended 31 December 2023

2023	Notes	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000	Additional Tier 1 Sukuk SAR'000	Total Equity SAR'000
		Attributable to equity holders of the Bank							
Balance at the beginning of the year		20,547,945	8,524,882	20,547,945	(1,182,348)	6,244,780	54,683,204	-	54,683,204
Effect of restatement	39	-	-	-	-	(46,553)	(46,553)	-	(46,553)
Restated balance at the beginning of the year		20,547,945	8,524,882	20,547,945	(1,182,348)	6,198,227	54,636,651	-	54,636,651
Total comprehensive income / (loss) for the year									
Net income for the year after Zakat and income tax		-	-	-	-	7,002,373	7,002,373	-	7,002,373
Net changes in fair value of cash flow hedges	18	-	-	-	149,222	-	149,222	-	149,222
Net changes in fair value of FVOCI equity instruments	18	-	-	-	207,197	-	207,197	-	207,197
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(420,181)	-	(420,181)	-	(420,181)
Re-measurement of defined benefit liability	18, 28	-	-	-	(23,467)	-	(23,467)	-	(23,467)
Transfer to consolidated statement of income, net	18	-	-	-	(139,825)	-	(139,825)	-	(139,825)
		-	-	-	(227,054)	7,002,373	6,775,319	-	6,775,319
Purchase of treasury shares		-	-	-	(37,414)	-	(37,414)	-	(37,414)
Employee share plan reserve net charge and shares vested		-	-	-	32,473	-	32,473	-	32,473
Additional Tier 1 Sukuk issued		-	-	-	-	-	-	3,985,000	3,985,000
Additional Tier 1 Sukuk issuance cost		-	-	-	-	(16,956)	(16,956)	-	(16,956)
2023 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,992,689)	(1,992,689)	-	(1,992,689)
2022 final dividend, net of Zakat and income tax	16	-	-	-	-	(1,482,821)	(1,482,821)	-	(1,482,821)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,414,343)**	**9,708,134**	**57,914,563**	**3,985,000**	**61,899,563**

2022	Notes	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total Equity SAR'000
		Attributable to equity holders of the Bank							
Balance at the beginning of the year as reported		20,547,945	8,524,882	20,547,945	(29,939)	3,335,498	52,926,331	102,186	53,028,517
Total comprehensive income / (loss) for the year (restated)									
Net income / (loss) for the year after Zakat and income tax (restated)		-	-	-	-	4,827,605	4,827,605	(2,010)	4,825,595
Net changes in fair value of cash flow hedges	18	-	-	-	228,784	-	228,784	-	228,784
Net changes in fair value of FVOCI equity instruments	18	-	-	-	4,778	-	4,778	-	4,778
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(1,436,597)	-	(1,436,597)	-	(1,436,597)
Re-measurement of defined benefit liability	18, 28	-	-	-	3,088	-	3,088	-	3,088
Transfer to consolidated statement of income, net	18	-	-	-	(13,963)	-	(13,963)	-	(13,963)
		-	-	-	(1,213,910)	4,827,605	3,613,695	(2,010)	3,611,685
Derecognition of a subsidiary upon loss of control		-	-	-	-	-	-	(100,176)	(100,176)
Employee share plan reserve net charge and shares vested		-	-	-	61,501	-	61,501	-	61,501
2022 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,262,501)	(1,262,501)	-	(1,262,501)
2021 final dividend, net of Zakat and income tax	16	-	-	-	-	(702,375)	(702,375)	-	(702,375)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,182,348)**	**6,198,227**	**54,636,651**		**54,636,651**

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

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director Authorized Member

Lubna S. Olayan
Board Chair

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000 (Restated)
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**8,223,142**	**5,661,405**
Adjustments to reconcile net income before Zakat and income tax to net cash generated from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(361,786)	(28,092)
Depreciation and amortization	8,9	565,603	464,482
Special commission expense on debt securities in issue		387,029	203,039
Special commission expense on lease liabilities		16,049	19,439
Loss / (gains) on amortised cost investments		14,929	(30,505)
Bargain purchase on acquisition of business	39	-	(108,600)
Income transferred to consolidated statement of income	18	(139,825)	(13,963)
Share in earnings of an associate	7	(188,214)	(172,144)
Provision for expected credit losses, net	30 (i) (a)	562,442	445,261
Employee share plan reserve		32,473	61,501
		9,111,842	**6,501,823**
Change in operating assets:			
Statutory deposit with SAMA		(422,881)	(1,260,487)
Due from banks and other financial institutions		(203,851)	297,660
Investments held as FVSI		(53,788)	420,094
Loans and advances		(33,290,214)	(14,675,827)
Positive fair value derivatives		318,914	(1,199,445)
Other assets		(350,911)	1,131,920
Change in operating liabilities:			
Due to banks and other financial institutions		6,678,799	10,853,637
Customers' deposits		26,661,455	27,518,239
Negative fair value derivatives		324,034	392,844
Other liabilities		1,086,689	1,444,612
		9,860,088	**31,425,070**
Zakat and income tax paid	26	(1,241,856)	(877,776)
Net cash generated from operating activities		**8,618,232**	**30,547,294**
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		12,812,581	4,766,592
Purchase of investments not held as FVSI		(22,833,309)	(28,115,568)
Dividend received from an associate	7	325,457	156,214
Purchase of property, equipment and intangibles, net		(554,770)	(661,030)
Acquisition of business	39	-	(1,216,800)
Net cash used in investing activities		**(10,250,041)**	**(25,070,592)**
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(324,003)	(149,736)
Payment of lease liabilities		(118,281)	(99,854)
Dividends paid		(3,465,931)	(1,962,582)
Purchase of treasury shares		(37,414)	-
Additional Tier 1 Sukuk		3,985,000	-
Additional Tier 1 Sukuk issuance cost		(16,956)	-
Net cash generated from / (used in) financing activities		**22,415**	**(2,212,172)**
Net change in cash and cash equivalents		**(1,609,394)**	**3,264,530**
Cash and cash equivalents at beginning of the year	27	**11,808,078**	**8,543,548**
Cash and cash equivalents at end of the year	27	**10,198,684**	**11,808,078**
Supplemental non-cash information			
Right of use assets	8	402,377	499,431
Lease liabilities	15	491,652	577,398
Net changes in fair value and transfers to consolidated statement of income		(227,054)	(1,213,910)
Special commission income received		16,542,810	8,408,449
Special commission expenses paid		6,299,657	1,469,694

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

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director Authorized Member

Lubna S. Olayan
Board Chair

All amounts in thousands of Saudi Riyals unless otherwise stated

1. General

Saudi Awwal Bank (formerly known as The Saudi British Bank) ('SAB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SAB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 104 branches (31 December 2022: 109 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

Saudi Awwal Bank
7206 Prince Abdul Aziz Bin Musaid Bin Jalawi
4065 Al Murabba District.
12613
Riyadh
Kingdom of Saudi Arabia

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

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

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

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

Name of Subsidiary/ Associate	Ownership %		Description
	2023	2022	
Arabian Real Estate Company Limited ("**ARECO**")	**100%**	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in the real estate activities.
SAB Markets Limited (formerly known as SABB Markets Limited) ("**SAB Markets**")	**100%**	100%	A limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SAB Markets is engaged in derivatives trading and repo activities.
Alawwal Invest Company ("**SAB Invest**")	**100%**	100%	A closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No.1010242378 dated 30 Thul-Hijjah 1428H (9 January 2008). Alawwal Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. SAB Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.
Alawwal Real Estate Company ("**AREC**")	**100%**	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in the real estate activities.
HSBC Saudi Arabia	**49%**	49%	An associate, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada II 1427H (23 July 2006). HSBC Saudi Arabia was formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05 Thul-Hijjah 1426H corresponding to 05 January 2006. HSBC Saudi Arabia's principal activity is to engage in the full range of securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.

All amounts in thousands of Saudi Riyals unless otherwise stated

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

Name of Entity	Ownership %		Description
	2023	2022	
Saudi Kayan Assets Leasing Company	**50%**	50%	The entity was incorporated for the purpose of effecting syndicated loan transactions and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structure.
Rabigh Asset Leasing Company	**50%**	50%	(the company is currently under liquidation).
Yanbu Asset Leasing Company	**-**	100%	(the company was liquidated during the year).

SAB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities. The related underlying funding to the relevant borrowers is recorded on SAB's consolidated statement of financial position.

1.1. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared:

- in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ('SOCPA'); and
- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia, and By-laws of the Bank.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Presentation of consolidated financial statements

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

e) Basis of consolidation

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

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

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

f) Critical accounting judgements and estimates

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

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

Estimates:

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

ECL methodology

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

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

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

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

Collateral and other credit enhancements held

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

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

ii. Fair value measurement

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in these consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

iii. **Impairment of goodwill**

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

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

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

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

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

vii. **Provisions for liabilities and charges**

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

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

Judgments:

i. **Determination of control over investees**

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

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

iii. **Determination of significant influence over investees**

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

iv. **Equity vs liability for Tier 1 Sukuk**

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

v. **Going concern**

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

2. Material accounting policies

A. Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Based on the adoption of new standards and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 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

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

Accounting Standards, interpretations, amendments	Description	Effective from periods
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.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, and permits a wide variety of practices in accounting for insurance contracts.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	Annual periods beginning on or after 1 January 2023

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods beginning on or after 1 January 2024. The Group did not opt for early adoption of these pronouncements and does not expect to have a significant impact on the consolidated financial statements of the Group.

Accounting Standards, interpretations, amendments	Description	Effective from periods
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 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

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

B. Financial assets and financial liabilities

i) Initial recognition, measurement and classification of financial assets

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

Amortised Cost (AC):

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

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

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

Fair value through other comprehensive income (FVOCI):

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

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

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

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

Fair value through statement of income (FVSI):

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

ii) Initial recognition, measurement and classification of financial liabilities

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

iii) Derecognition

a. Financial assets

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

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

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

b. Financial liabilities

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

iv) Modifications of financial assets and financial liabilities

a. Financial assets

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

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

b. Financial liabilities

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

v) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

12 month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

Measurement of ECL

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

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

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

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

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

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

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

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

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

Write-off

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

Collateral valuation

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

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Collateral repossessed

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

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

vi) Financial guarantees and loan commitments

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

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

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

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

C. Trade date accounting

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

D. Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, special commission rate futures, forward rate agreements, currency and special commission rate swaps, currency, and special commission rate options (both written and purchased), are measured at fair value (premium received for written options). All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models, as appropriate.

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

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income for the year. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

ii) Embedded derivatives

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

iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. For the purpose of hedge accounting, hedges are classified into two categories; (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect the reported net gain or loss.

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

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is recognised in the consolidated statement of income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the consolidated statement of income over the remaining life of the instrument. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

In relation to cash flow hedges, which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the consolidated statement of comprehensive income. The ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income.

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

E. Revenue / expenses recognition

i. Special commission income and expense

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

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

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

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

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

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

ii. Exchange income / loss

Exchange income/loss is recognised when earned/incurred.

iii. Dividend income

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

iv. Fees and commission income and expenses

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

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

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

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

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

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

v. Day one profit

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

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

vi. Customer Loyalty Program

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

F. Investment in equity-accounted investees

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

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

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

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

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

G. Property and equipment

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

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

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

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

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

H. Intangible assets

i. Goodwill

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

Measurement

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

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

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

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

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

ii. Capitalised software

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

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

iii. Other intangibles

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

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

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

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

l. Leases

Right of use asset (RoU) / Lease liabilities

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

Right of use assets

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

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

Lease Liability

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

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

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

J. End of service benefits

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

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

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

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

K. Share based payments

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Group are offered shares at a predetermined price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Group delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions. The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date').

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

L. Government grant

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant.

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

M. Zakat and Income tax

Zakat

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

Income tax

The income tax expense for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate in Saudi Arabia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized.

Value Added tax ("VAT")

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

N. Islamic banking products

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

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

(i) **Murabaha financing:** is an agreement whereby the Group sells to a customer an asset or a commodity, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin and is paid as agreed.

(ii) **Istisna'a:** is a contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline

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

(iv) **Musharaka:** is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

(v) **Tawarruq:** is a form of Murabaha transaction where the Group purchases a commodity and sells it to the customer at agreed-upon deferred installment terms. The customer sells the underlying commodity at spot to a third party and uses the proceeds for his financing requirements.

(vi) **Mudaraba:** is a form of participation in profit where the client provides the capital to the Group or vice versa depending. On the product type. The capital owner is called the Rab Almaal and the worker is Mudharib. The worker's duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, "Rab Almaal" has to bear all the losses from his capital and the "Midharib" loses his efforts.

(vii) **Promise:** is a mandatory commitment by the Group to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedge against fluctuations in rates, index prices, and currency prices.

(viii) **Murabaha deposit:** is based on commodity Murabaha. The Group acts as an agent for its customers in purchasing commodities on their behalf with their funds and then purchases these commodities for its own account from customers at agreed-upon price and deferred maturities. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.

(ix) **Shariah compliant foreign exchange products:** are offered to clients to hedge their existing exposure to foreign currencies. It is based on the concept of Waad (binding promise) where the Group promises to buy/sell a particular amount of foreign currency at an agreed upon price. It may include only one Waad or a combination of Waads.

(x) **Shariah compliant rates products:** are offered to clients who have exposure to fixed/floating rates and need hedging solutions. The products are designed around the concept of Waad (binding promise) to enter into Murabaha where the profit is based on a rates index or formula. It may include only one Waad or a combination of Waads.

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Cash and balances with SAMA

	2023	2022
Cash in hand	1,775,854	1,779,646
Statutory deposit	13,746,941	13,324,060
Placements with SAMA	56,000	4,039,485
Other balances	1,162,440	115,526
Total	**16,741,235**	**19,258,717**

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

4. Due from banks and other financial institutions, net

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

	2023	2022
Current accounts	6,381,300	5,282,629
Money market placements	1,026,941	-
Reverse repos	-	590,792
Provision for expected credit losses	(760)	(1,888)
Total	**7,407,481**	**5,871,533**

b) Movement in gross carrying amount

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

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

2022	**Non-credit impaired**		**Credit impaired**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	5,995,377	-	-	-	5,995,377
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(121,956)	-	-	-	(121,956)
Balance as at 31 December 2022	**5,873,421**	**-**	**-**	**-**	**5,873,421**

All amounts in thousands of Saudi Riyals unless otherwise stated

c) Credit quality analysis

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

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit Impaired	Total
31 December 2023	7,406,882	-	599	-	**7,407,481**
31 December 2022	5,871,533	-	-	-	**5,871,533**

Balances under due from banks and other financial institutions are investment grade (except for lifetime ECL credit impaired) as defined in note 5 (g).

d) Movement in provision for expected credit losses

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

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

	31 December 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net change for the year	(314)	-	-	(314)
Balance as at 31 December 2022	**1,888**	**-**	**-**	**1,888**

5. Investments, net

a) Investment, net securities are classified as follows:

	2023	2022
FVOCI – Debt	47,759,449	30,938,120
FVOCI – Equity	423,852	218,332
FVSI	1,017,062	963,274
Held at amortised cost	47,377,847	54,252,894
Provision for expected credit losses for investments held at amortised cost	(11,374)	(9,461)
Total	**96,566,836**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

b) Movement in gross carrying amount

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

• FVOCI - Debt

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

2022	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	18,665,583	-	-	-	18,665,583
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	12,272,537	-	-	-	12,272,537
Balance as at 31 December 2022	**30,938,120**	**-**	**-**	**-**	**30,938,120**

• Held at amortized cost

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

2022	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	44,843,454	-	-	-	44,843,454
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	9,409,440	-	-	-	9,409,440
Balance as at 31 December 2022	**54,252,894**	**-**	**-**	**-**	**54,252,894**

All amounts in thousands of Saudi Riyals unless otherwise stated

c) Investments, net by type of securities

	Domestic		International		Total	
	2023	2022	2023	2022	2023	2022
Fixed rate securities	76,351,154	68,146,227	6,866,745	5,010,685	83,217,899	73,156,912
Floating rate securities	12,422,644	12,403,594	-	172,494	12,422,644	12,576,088
Equities and mutual funds	916,045	618,233	10,248	11,926	926,293	630,159
Total	**89,689,843**	**81,168,054**	**6,876,993**	**5,195,105**	**96,566,836**	**86,363,159**

d) Movement in provision for expected credit losses

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

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

2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	**13,089**	**-**	**-**	**13,089**
Net change for the year	(3,628)	-	-	(3,628)
Balance as at 31 December 2022	**9,461**	**-**	**-**	**9,461**

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

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

2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	**7,702**	**-**	**-**	**7,702**
Net change for the year	(349)	-	-	(349)
Balance as at 31 December 2022	**7,353**	**-**	**-**	**7,353**

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

	2023			2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	80,876,282	2,341,617	83,217,899	71,357,561	1,799,351	73,156,912
Floating rate securities	8,499,725	3,922,919	12,422,644	8,262,779	4,313,309	12,576,088
Equities and mutual funds	743,919	182,374	926,293	606,396	23,763	630,159
Total	**90,119,926**	**6,446,910**	**96,566,836**	**80,226,736**	**6,136,423**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

	2023	2022
Debt instruments:		
Sukuks	70,558,359	63,707,577
Provision for expected credit losses	(9,149)	(7,255)
	70,549,210	**63,700,322**
Equities and mutual funds	461,999	604,895
Total	**71,011,209**	**64,305,217**

g) The analysis of investments, net by external ratings grade

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

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

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

	31 December 2022			
	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	53,383,592	29,844,725	551,444	83,779,761
Non-investment grade	-	958,583	-	958,583
Unrated	859,841	353,144	411,830	1,624,815
Total	**54,243,433**	**31,156,452**	**963,274**	**86,363,159**

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

	2023	2022
Government and quasi government	80,705,930	81,860,582
Corporate	6,730,785	1,516,016
Banks and other financial institutions	8,964,542	2,973,059
Others	165,579	13,502
Total	**96,566,836**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Loans and advances, net

a) Loans and advances are comprised of the following:

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

	2022			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,406,246	41,648,747	113,788,692	157,843,685
Lifetime ECL not credit impaired	112,842	2,401,715	20,048,085	22,562,642
Lifetime ECL credit impaired	52,208	826,047	4,016,719	4,894,974
Purchased or originated credit impaired	85	147,568	3,693,775	3,841,428
Total loans and advances, gross	**2,571,381**	**45,024,077**	**141,547,271**	**189,142,729**
Provision for expected credit losses	(186,499)	(706,885)	(5,117,096)	(6,010,480)
Loans and advances, net	**2,384,882**	**44,317,192**	**136,430,175**	**183,132,249**

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 3,875 million (31 December 2022: SAR 4,292 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category. The financial assets recorded in each stage have the following characteristics:

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

All amounts in thousands of Saudi Riyals unless otherwise stated

b) Movement in gross carrying amount

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

• Credit cards

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

2022	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**2,012,847**	**123,496**	**43,805**	**90**	**2,180,238**
Transfer to Stage 1	38,040	(32,708)	(5,332)	-	-
Transfer to Stage 2	(68,526)	71,034	(2,508)	-	-
Transfer to Stage 3	(30,011)	(13,047)	43,058	-	-
Net change for the year	453,896	(35,933)	43,504	(5)	461,462
Write-offs	-	-	(70,319)	-	(70,319)
Balance as at 31 December 2022	**2,406,246**	**112,842**	**52,208**	**85**	**2,571,381**

• Other retail lending

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

2022	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**35,308,631**	**1,939,590**	**1,023,411**	**167,734**	**38,439,366**
Transfer to Stage 1	563,848	(543,961)	(19,887)	-	-
Transfer to Stage 2	(1,053,496)	1,417,249	(363,753)	-	-
Transfer to Stage 3	(125,760)	(178,346)	304,106	-	-
Net change for the year	6,955,524	(232,817)	56,507	(20,166)	6,759,048
Write-offs	-	-	(174,337)	-	(174,337)
Balance as at 31 December 2022	**41,648,747**	**2,401,715**	**826,047**	**147,568**	**45,024,077**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Corporate and institutional lending**

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	**101,401,370**	**24,786,523**	**3,846,283**	**3,604,937**	**133,639,113**
Transfer to Stage 1	32,139	(32,139)	-	-	-
Transfer to Stage 2	(831,309)	833,985	(2,676)	-	-
Transfer to Stage 3	(103)	(843,140)	843,243	-	-
Net change for the year	13,186,595	(4,697,144)	(72,262)	88,838	8,506,027
Write-offs	-	-	(597,869)	-	(597,869)
Balance as at 31 December 2022	**113,788,692**	**20,048,085**	**4,016,719**	**3,693,775**	**141,547,271**

c) Movement in provision for expected credit losses

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

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	**511,022**	**3,482,551**	**2,600,654**	**108,012**	**6,702,239**
Transfer to Stage 1	46,183	(37,154)	(9,029)	-	-
Transfer to Stage 2	(15,229)	134,791	(119,562)	-	-
Transfer to Stage 3	(3,302)	(282,551)	285,853	-	-
Net re-measurement of loss allowance	35,298	(120,565)	646,007	345,370	906,110
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	**573,972**	**2,177,072**	**2,806,054**	**453,382**	**6,010,480**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Credit cards**

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	**87,555**	**42,185**	**34,079**	**-**	**163,819**
Transfer to Stage 1	10,496	(6,549)	(3,947)	-	-
Transfer to Stage 2	(3,253)	5,153	(1,900)	-	-
Transfer to Stage 3	(1,853)	(4,431)	6,284	-	-
Net re-measurement of loss allowance	14,704	3,274	4,702	-	22,680
Balance as at 31 December 2022	**107,649**	**39,632**	**39,218**	**-**	**186,499**

- **Other retail lending**

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	**207,680**	**181,363**	**286,026**	**70,048**	**745,117**
Transfer to Stage 1	35,000	(29,919)	(5,081)	-	-
Transfer to Stage 2	(10,508)	126,829	(116,321)	-	-
Transfer to Stage 3	(1,448)	(30,071)	31,519	-	-
Net re-measurement of loss allowance	(24,987)	(106,878)	92,651	982	(38,232)
Balance as at 31 December 2022	**205,737**	**141,324**	**288,794**	**71,030**	**706,885**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Corporate and institutional lending**

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	**215,787**	**3,259,003**	**2,280,549**	**37,964**	**5,793,303**
Transfer to Stage 1	687	(687)	-	-	-
Transfer to Stage 2	(1,468)	2,808	(1,340)	-	-
Transfer to Stage 3	(1)	(248,048)	248,049	-	-
Net re-measurement of loss allowance	45,581	(16,960)	548,653	344,388	921,662
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	**260,586**	**1,996,116**	**2,478,042**	**382,352**	**5,117,096**

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances, net
Government and quasi government	143,368	-	-	(272)	143,096
Finance	11,981,265	32,035	-	(38,707)	11,974,593
Agriculture and fishing	444,928	-	241	(12,016)	433,153
Manufacturing	23,039,899	505,542	678,828	(565,536)	23,658,733
Mining and quarrying	5,140,420	-	1,574	(7,399)	5,134,595
Electricity, water, gas, and health services	16,129,354	-	391,743	(102,519)	16,418,578
Building and construction	11,718,731	975,039	1,010,165	(1,596,619)	12,107,316
Commerce	42,043,055	2,102,332	1,360,326	(2,440,787)	43,064,926
Transportation and communication	11,074,559	4,317	1,877	(23,938)	11,056,815
Services	9,279,334	262,665	120,168	(298,174)	9,363,993
Credit cards and other retail lending	47,060,666	387,139	147,653	(893,384)	46,702,074
Others	2,953,339	23,314	128,853	(31,129)	3,074,377
Total	**181,008,918**	**4,292,383**	**3,841,428**	**(6,010,480)**	**183,132,249**

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

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

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	27,482,673	-	-	-	27,482,673
Good	64,773,640	2,667,625	73	-	67,441,338
Satisfactory	21,532,378	9,983,007	61,001	-	31,576,386
Special mention	-	7,397,454	50,401	-	7,447,855
Unrated	44,054,994	2,514,556	491,116	-	47,060,666
Non-performing	-	-	4,292,383	3,841,428	8,133,811
Total	**157,843,685**	**22,562,642**	**4,894,974**	**3,841,428**	**189,142,729**

All amounts in thousands of Saudi Riyals unless otherwise stated

Strong: Financial status, capitalisation, earnings, liquidity, cash generation and management will all be of highest quality. A strong capacity to meet longer-term and short-term financial commitments.

Good: Financial condition exhibits no major adverse trends prevalent. Capacity to meet medium and short-term financial commitments is considered fair, but more sensitive to external changes or market conditions.

Satisfactory: A counterparty whose financial position is average but not strong. The overall position will not be causing any immediate concern, but more regular monitoring will be necessary as a result of susceptibilities to external changes or market conditions.

Special mention: Financial condition weak and capacity, or inclination, to repay, is in doubt. The financial status of the borrower requires close monitoring and ongoing assessment.

Unrated: Represents performing retail loans and advances that are not rated.

Non-performing: A counterparty who is classified as in default or as POCI

f) Shariah-compliant loans

Included in loans and advances, net are the following Shariah-compliant products:

	2023	2022
Tawaruq	135,662,242	116,265,499
Murabaha	17,013,231	10,434,932
Ijara	15,637,417	15,970,902
Total	**168,312,890**	**142,671,333**

g) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. This collateral mostly includes time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, project proceeds and other fixed assets. The collateral is held against commercial and consumer loans and are managed against relevant exposures at their net realisable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. As of 31 December 2023, the fair value of collateral held against those loans and advances amount to SAR 1,446 million (2022: SAR 929 million).

7. Investment in an associate

	2023	2022
HSBC Saudi Arabia		
Balance at beginning of the year	**599,289**	**583,359**
Share in earnings	188,214	172,144
Dividend received	(325,457)	(156,214)
Balance at end of the year	**462,046**	**599,289**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

2022	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**1,671,893**	**1,619,485**	**816,841**	**4,108,219**
Additions / re-measurement	7,201	17,987	22,615	47,803
Acquired through business combination	-	-	635	635
Disposals	(94,063)	(25,101)	(3,212)	(122,376)
As at 31 December	**1,585,031**	**1,612,371**	**836,879**	**4,034,281**
Accumulated depreciation:				
As at 1 January	**440,773**	**933,883**	**711,156**	**2,085,812**
Charge for the year	15,432	149,636	37,548	202,616
Disposals	(50,747)	(25,101)	(487)	(76,335)
As at 31 December	**405,458**	**1,058,418**	**748,217**	**2,212,093**
Net book value:				
As at 31 December	**1,179,573**	**553,953**	**88,662**	**1,822,188**
Capital work in progress				**1,799,456**
Total				**3,621,644**

The movement of ROU is as below:

	2023	2022
Cost:		
As at 1 January	**907,747**	**922,092**
Additions / re-measurement	16,395	10,756
Terminations	(65,894)	(25,101)
As at 31 December	**858,248**	**907,747**
Accumulated depreciation:		
As at 1 January	**408,316**	**314,832**
Charge for the year	113,449	118,585
Terminations	(65,894)	(25,101)
As at 31 December	**455,871**	**408,316**
Net book value	**402,377**	**499,431**

All amounts in thousands of Saudi Riyals unless otherwise stated

9. Goodwill and other intangibles

Intangibles are comprised of the following:

	2023	2022 (restated)
Amounts arising from acquisitions:		
Goodwill	8,778,091	8,778,091
Other intangibles	1,519,279	1,698,216
Software	258,997	314,175
Total	**10,556,367**	**10,790,482**

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

2022	Goodwill	Software	Customer relationship - PCCR	Core deposit intangible	Brand	Customer relationship – CM (restated)	Total (restated)
Cost:							
As at 1 January	**16,209,673**	**778,340**	**71,200**	**1,875,400**	**75,000**	**-**	**19,009,613**
Additions	-	130,070	-	-	-	-	130,070
Acquired through business combination	-	-	-	-	-	228,601	228,601
Disposals / written off	(13,806)	(46,071)	-	-	-	-	(59,877)
As at 31 December	**16,195,867**	**862,339**	**71,200**	**1,875,400**	**75,000**	**228,601**	**19,308,407**
Accumulated impairment / amortization:							
As at 1 January	**7,417,776**	**460,833**	**17,800**	**334,893**	**37,500**	**-**	**8,268,802**
Charge for the year	-	100,074	7,120	133,957	15,000	5,715	261,866
Disposals / written off	-	(12,743)	-	-	-	-	(12,743)
As at 31 December	**7,417,776**	**548,164**	**24,920**	**468,850**	**52,500**	**5,715**	**8,517,925**
Net book value							
As at 31 December	**8,778,091**	**314,175**	**46,280**	**1,406,550**	**22,500**	**222,886**	**10,790,482**

Impairment testing of goodwill

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

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

Key assumptions used to value-in-use calculation

The recoverable amount of the cash-generating units has been determined based on a value in use calculation. The VIU model uses projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a (long-term) terminal growth rate.

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

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

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

- Discount rate of 10.02% (2022: 10.15%), which is derived using a capital asset pricing model and comparing it with cost of capital rates produced by external sources.
- Long term asset growth rate of 4.0% (2022: 4.0%), derived from economists' forecasts of nominal GDP for the Kingdom of Saudi Arabia ("KSA"), applied to projected periods beyond 2028.
- Long-term profit growth rate of 4.89% (2022: 4.6%), derived from economists' forecasts of nominal GDP for KSA adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2028.

Key assumptions used in impairment testing for goodwill

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

- interest margins;
- discount rates;
- projected growth rates used to extrapolate cash flows beyond the projection period; and
- current local GDP.

Interest margins

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

All amounts in thousands of Saudi Riyals unless otherwise stated

Discount rates

Discount rates reflect management's estimate of Return on Capital Employed ('ROCE') required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using a capital asset pricing model.

Projected growth rate, GDP, and local inflation rates

On 31 December 2023, the goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill was allocated to the following CGUs:

Cash generating units	Goodwill allocated 2023
Wealth & personal banking	4,649,572
Corporate and institutional banking	771,772
Treasury	3,356,747

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

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

	31 December 2022 Impact on the recoverable amount of CGUs	
Cash generating units	**1% increase in discount rate (SAR million)**	**1% decrease in terminal growth rate (SAR million)**
Wealth & personal banking	(4,096)	(3,452)
Corporate and institutional banking	(6,826)	(5,741)
Treasury	(2,165)	(1,826)

10. Other assets

	Note	2023	2022
Accounts receivable		1,947,676	1,806,556
Collateral margin		54,922	-
Deferred tax	26	264,131	294,564
Others		491,789	127,857
Total		**2,758,518**	**2,228,977**

11. Derivatives

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

a) Forwards and futures

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

b) Options

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

c) Swaps

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

Risk-related adjustments

Bid-offer:

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

Credit valuation adjustment ('CVA'):

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

Debit valuation adjustment ('DVA'):

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

Credit valuation adjustment/debit valuation adjustment methodology:

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

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

Derivatives held for trading purposes

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

Derivatives held for hedging purposes

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

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

Hedge effectiveness testing

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

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

Sources of ineffectiveness

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 interest rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralized interest rate swaps but not the hedge items.

All amounts in thousands of Saudi Riyals unless otherwise stated

Cash flow hedges

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

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

	Within 1 year	1-3 years	3-5 years	Over 5 years
2023				
Cash inflows (assets)	180,557	451,469	52,111	13,177
Net cash inflow	**180,557**	**451,469**	**52,111**	**13,177**
2022				
Cash inflows (assets)	80,761	549,052	151,993	47,034
Net cash inflow	**80,761**	**549,052**	**151,993**	**47,034**

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

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

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	1,764,483	(1,626,432)	59,706,917	2,962,216	3,225,424	23,429,234	30,090,043
Special commission rate options	186,836	(180,346)	8,689,426	211,275	1,215,338	5,791,607	1,471,206
Forward foreign exchange contracts	45,447	(37,369)	13,704,323	7,812,121	5,140,082	752,120	-
Currency options	9,108	(9,134)	1,350,151	243,218	714,150	392,783	-
Currency swaps	1,493	(128)	2,212,500	-	375,000	1,837,500	-
Derivatives held as fair value hedges:							
Special commission rate swaps	496,966	(28,079)	8,634,625	996,875	1,898,750	2,835,250	2,903,750
Derivatives held as cash flow hedges:							
Special commission rate swaps	30,691	(24,915)	3,526,000	-	-	2,841,000	685,000
Currency swaps	3,050	(1,033)	75,000	-	-	75,000	-
Total	**2,538,074**	**(1,907,436)**	**97,898,942**	**12,225,705**	**12,568,744**	**37,954,494**	**35,149,999**
Fair values of netting arrangements	**1,072,683**	**(216)**					
Cash collateral, net	**(724,600)**	**69,323**					
Fair values after netting	**348,083**	**69,107**					

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

2023	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	25,198	(119,995)	8,686,345	90,516	446,163	4,086,733	4,062,932
Special commission rate options	33,381	(5,256)	639,541	-	63,541	50,000	526,000
Total	**58,579**	**(125,251)**	**9,325,886**	**90,516**	**509,704**	**4,136,733**	**4,588,932**

2022	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	20,791	(116,855)	3,260,196	10,076	422,647	2,240,121	587,352
Special commission rate options	931	(11,814)	616,386	-	174,540	141,846	300,000
Derivatives held as cash flow hedges:							
Currency swaps	236	-	187,500	-	187,500	-	-
Total	**21,958**	**(128,669)**	**4,064,082**	**10,076**	**784,687**	**2,381,967**	**887,352**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
2022						
Description of the hedged items:						
Fixed commission rate investments	8,455,213	8,635,625	Fair value	Special commission rate swap	496,966	(28,079)
Floating commission rate investments	3,527,316	3,526,000	Cash flow	Special commission rate swap	30,691	(24,915)
Fixed commission rate investments	73,963	75,000	Cash flow	Currency swap	3,050	(1,033)

Approximately 86.2 % (2022: 94.8%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and out of which 78% (2022: 68.1%) of the positive fair value contracts are with a single counterparty at the year end.

12. Due to banks and other financial institutions

	2023	2022
Current accounts	5,293,646	3,735,075
Money market deposits	17,187,265	12,804,597
Repo with banks	6,974,026	2,777,696
Others*	2,741,165	6,199,935
Total	**32,196,102**	**25,517,303**

*Others include deposits from SAMA.

All amounts in thousands of Saudi Riyals unless otherwise stated

13. Customers' deposits

	2023	2022
Demand	138,953,931	141,427,465
Time	98,578,400	69,651,646
Savings	2,092,397	1,981,334
Margin and others	1,315,578	1,218,406
Total	**240,940,306**	**214,278,851**

The above deposits include the following deposits in foreign currency:

	2023	2022
Demand	17,954,605	16,515,036
Time	21,522,300	14,969,131
Savings	99,816	15,604
Margin and others	187,636	176,943
Total	**39,764,357**	**31,676,714**

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

	2023	2022
Demand	85,723,036	91,148,380
Time	60,972,171	43,808,403
Savings	1,876,964	1,915,405
Margin and others	392,219	223,500
Total	**148,964,390**	**137,095,688**

14. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

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

All amounts in thousands of Saudi Riyals unless otherwise stated

15. Other liabilities

	2023	2022
Accounts payable	8,554,339	6,893,995
Provision against loan commitments and financial guarantee contracts (note 20)	1,025,977	953,737
End of service benefits (note 28)	812,150	748,494
Collateral margin	-	676,158
Lease liabilities	491,652	577,398
Others	3,312,215	3,099,265
Total	**14,196,333**	**12,949,047**

16. Share capital

The authorised, issued and fully paid share capital of SAB consists of 2,054,794,522 shares of SAR 10 each (2022: 2,054,794,522 shares of SAR 10 each). The ownership of the SAB's share capital is as follows:

	2023	2022
HSBC Holdings B.V	31%	31%
Other shareholders*	69%	69%

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

SAB paid the final dividend of SAR 1,483 million as approved by the Board of Directors, to the shareholders of the Group for the year ended 2022 (2022: 702 million for the year ended 2021). This resulted in SAR 0.74 per share for Saudi shareholders, net of Zakat (2022: SAR 0.36). The income tax of the foreign shareholders was deducted from their share of the dividends.

SAB also paid an interim dividend of SAR 1,993 million approved by the Board of Directors for distribution to the shareholders of the Group for the first half of 2023 (2022: SAR 1,263 million for the first half of 2022). This resulted in SAR 0.88 per share for Saudi shareholders' net of Zakat (2022: SAR 0.55). The income tax of the foreign shareholders was deducted from their share of the dividend.

17. Statutory reserve

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

18. Other reserves

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

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Cash flow hedges	FVOCI	Treasury shares	Employee share plan reserve	Re-measurement of defined benefit liability	Total
Balance at beginning of the year	**9,663**	**83,507**	**(211,293)**	**82,548**	**5,636**	**(29,939)**
Net change in fair value	228,784	(1,431,819)	-	-	-	(1,203,035)
Transfer to consolidated statement of income	(25,617)	11,654	-	-	-	(13,963)
Net movement defined benefit liability	-	-	-	-	3,088	3,088
Net charge, vested and shares purchased	-	-	32,293	29,208	-	61,501
Balance at end of the year	**212,830**	**(1,336,658)**	**(179,000)**	**111,756**	**8,724**	**(1,182,348)**

19. Additional Tier 1 Sukuk

On 31 October 2023, the Bank has issued SAR 4 billion Additional Tier 1 Capital Sukuk (SAR-denominated) by way of private placement, which were approved by the regulatory authorities and Board of Directors of the Bank. These Sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets. The applicable profit rate on the Sukuk is payable on each periodic distribution date, except in the event of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment elections are not considered to be events of default.

20. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal proceedings against the Group.

b) Capital commitments

As at 31 December 2023, the Group has capital commitments of SAR 1,316 million (2022: SAR 1,436 million) in respect of land, buildings, equipment and software purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise guarantees letters of credit acceptances and commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,267,551	801,470	7,469	38,502	16,114,992
Letters of guarantee	64,348,335	8,231,151	1,308,921	1,665,909	75,554,316
Acceptances	2,844,988	304,046	-	24,572	3,173,606
Irrevocable commitments to extend credit	4,953,207	147,960	-	-	5,101,167
Total	**87,414,081**	**9,484,627**	**1,316,390**	**1,728,983**	**99,944,081**

The un-utilized portion of non-firm commitments, which can be revoked unilaterally at any time by the Group, is SAR 128,165 million (2022: SAR 128,942 million). The following table further explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the loss allowance for the same portfolio.

Letters of credit

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance as at 1 January 2022	**16,198,187**	**1,071,383**	**27,597**	**50,560**	**17,347,727**
Transfer to Stage 1	48,518	(48,518)	-	-	-
Transfer to Stage 2	(34,204)	34,204	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(944,950)	(255,599)	(20,128)	(12,058)	(1,232,735)
Balance as at 31 December 2022	**15,267,551**	**801,470**	**7,469**	**38,502**	**16,114,992**

Letters of guarantees

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

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Non-credit impaired		Credit impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2022	**60,479,102**	**8,190,612**	**1,440,987**	**1,883,095**	**71,993,796**
Transfer to Stage 1	1,455,340	(1,451,526)	(3,814)	-	-
Transfer to Stage 2	(3,413,982)	3,414,882	(900)	-	-
Transfer to Stage 3	(491)	(55,223)	55,714	-	-
Net change for the year	5,828,366	(1,867,594)	(183,066)	(217,186)	3,560,520
Balance as at 31 December 2022	**64,348,335**	**8,231,151**	**1,308,921**	**1,665,909**	**75,554,316**

Acceptances

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance as at 1 January 2022	**1,448,655**	**338,972**	**96**	**-**	**1,787,723**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	1,396,333	(34,926)	(96)	24,572	1,385,883
Balance as at 31 December 2022	**2,844,988**	**304,046**	**-**	**24,572**	**3,173,606**

Irrevocable commitments to extend credit

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

2022	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance as at 1 January 2022	**4,044,096**	**240,577**	**-**	**-**	**4,284,673**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	909,111	(92,617)	-	-	816,494
Balance as at 31 December 2022	**4,953,207**	**147,960**	**-**	**-**	**5,101,167**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 January 2022	**62,055**	**271,134**	**399,589**	**1,569**	**734,347**
Transfer to Stage 1	15,614	(14,659)	(955)	-	-
Transfer to Stage 2	(6,748)	7,199	(451)	-	-
Transfer to Stage 3	-	(1,000)	1,000	-	-
Net charge for the year	(18,706)	25,343	207,067	5,686	219,390
Balance as at 31 December 2022	**52,215**	**288,017**	**606,250**	**7,255**	**953,737**

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

	2023	2022
Government and quasi government	8,577,898	5,961,803
Corporate	100,830,633	77,320,034
Banks and other financial institutions	20,936,191	16,646,677
Others	458,727	15,567
Total	**130,803,449**	**99,944,081**

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

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

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	33,209,809	-	-	-	33,209,809
Good	44,824,763	1,163,466	-	-	45,988,229
Satisfactory	9,379,509	5,748,232	28,084	-	15,155,825
Special mention	-	2,572,929	-	-	2,572,929
Non-performing	-	-	1,288,306	1,728,983	3,017,289
Total	**87,414,081**	**9,484,627**	**1,316,390**	**1,728,983**	**99,944,081**

All amounts in thousands of Saudi Riyals unless otherwise stated

21. Net special commission income

	2023	2022
Special commission income		
Loans and advances	12,838,133	7,083,479
Due from banks and other financial institutions	536,102	188,916
Investments:		
FVOCI	2,060,475	705,641
Held at amortised cost	1,653,731	1,343,838
	3,714,206	**2,049,479**
Total	**17,088,441**	**9,321,874**
Special commission expense		
Customers' deposits	(5,046,039)	(1,312,950)
Due to banks and other financial institutions	(1,294,600)	(378,159)
Debt securities in issue	(390,479)	(203,039)
Others	(15,854)	(19,439)
Total	**(6,746,972)**	**(1,913,587)**
Net special commission income	**10,341,469**	**7,408,287**

Special commission income includes income from Shariah-compliant investments and loans and advances contracts and special commission expense includes expense from Shariah-compliant customer deposits as follows:

	2023	2022
Loans and advances		
Tawaruq	8,058,294	4,180,955
Ijarah	1,114,054	702,449
Murabaha	634,575	370,135
Total	**9,806,923**	**5,253,539**
Special commission income		
Investments:		
Held at amortised cost / Sukuk	1,504,319	1,059,274
FVOCI / Sukuk	1,144,652	494,321
Total	**2,648,971**	**1,553,595**
Due from Banks and other financial institutions	**7,019**	**-**
Special commission expense		
Customers' deposits		
Murabaha	(2,739,970)	(674,296)
Tawaruq	(283,178)	(58,077)
Mudarbah	(47,219)	(11,789)
Debt securities in issue – Murabaha	(390,479)	(203,039)
Total	**(3,460,846)**	**(947,201)**

All amounts in thousands of Saudi Riyals unless otherwise stated

22. Net fees and commission income

	2023	2022
Fee and commission income:		
Card products	1,463,971	1,313,611
Trade finance	789,407	700,305
Corporate finance and advisory	258,179	209,777
Fund management fees	241,115	87,450
Other banking services	502,731	459,030
Total fee and commission income	**3,255,403**	**2,770,173**
Fee and commission expense:		
Card products	(1,849,538)	(1,658,024)
Corporate finance and advisory	(53,199)	(22,904)
Fund management fees	(27,394)	(15,678)
Custodial services	(3,711)	(3,959)
Other banking services	(177,023)	(183,952)
Total fee and commission expense	**(2,110,865)**	**(1,884,517)**
Net fees and commission income	**1,144,538**	**885,656**

23. Gain from FVSI financial instruments, net

	2023	2022
Derivatives	140,820	141,041
Foreign exchange income, net	126,804	238,031
Debt securities	35,431	(23,531)
Others	42,543	75,320
Total	**345,598**	**430,861**

24. Salaries and employee related expenses

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Number of employees*	Fixed compensation	Variable compensation paid		
Category			**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	26	(40,657)	(16,486)	(16,918)	(33,404)
Employees engaged in risk taking activities	905	(429,843)	(99,729)	(14,504)	(114,233)
Employees engaged in control functions	686	(167,374)	(29,151)	(52)	(29,203)
Other employees	2,652	(551,475)	(70,951)	-	(70,951)
Outsourced employees	558	(59,969)	(22,945)	-	(22,945)
Total	**4,827**	**(1,249,318)**	**(239,262)**	**(31,474)**	**(270,736)**
Variable compensation accrued in 2022		(338,947)			
Other employee related benefits **		(221,200)			
Total salaries and employee related expenses		**(1,809,465)**			

* Represents all employees who worked for the Group and were compensated during the year 2023 or 2022, whether they are still active or no longer employed by the Group.

** Other employee related benefits include insurance premium paid, GOSI contribution, recruitment expenses and certain other non-recurring employee related costs.

Senior executives (requiring SAMA no objection):

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

Employees engaged in risk taking activities:

This comprises of management staff within the business lines (Corporate, Trade Services, Private Banking and Treasury employees), who are responsible for executing and implementing the business strategy on behalf of the Group. This also includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals and treasury dealing activities.

Employees engaged in control functions:

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

Other employees:

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

Outsourced employees:

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

Compensation disclosure for the annual consolidated financial statements:

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

SAB compensation policy

i. Policy objectives

The policy sets the guidelines as to how both fixed and variable pay will be managed at SAB. The scope of policy covers the following: all categories of employees; its subsidiaries; all compensation elements; key determinants of compensation; approval process; reporting processes; bonus deferral process; share retention and relevant stakeholder's roles and responsibilities. The objectives of the policy are to: align the reward practices with the Group's strategy and values so as to support the successful execution of the strategy in a risk compliant manner; offer an attractive employee value proposition to attract; retain and motivate competent and committed people; and ensure the financial sustainability of SAB.

ii. Compensation structure

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

iii. Performance management system

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

iv. Risk-adjustment for variable payschemes

The Group has reviewed all its variable pay schemes, with the assistance of external remuneration consultants, to ensure that any bonus pay pools have taken into account all relevant risks. The determination of bonus pools is based on appropriate performance factors adjusted for risk. The bonus pool for the Control functions have been ring fenced from short-term profits in alignment with SAMA regulations.

v. Bonus deferral

Bonus deferral in the form of equity applies to all employees who are either subject to SAMA 'No Objection' and /or undertake or control significant risk undertaking by the Group. Bonuses of all these employees will be subject to deferral over a 3 year vesting period. The vesting will be subject to malus conditions.

vi. Nomination and Remuneration Committee

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

a) Share based bonus payments

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

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

The Group has currently two Share Based Equity Plan under which the grant for the Bonus Deferral Program was made at various dates during 2021, 2022 and 2023 with a maturity period of three years from the respective grant dates and shares vesting is 33%, 33% and 34% for the first, second and third year, respectively. As for the Long Term Plan with a maturity of four years of the respective grant date and shares vesting is 30%, 20% and 40%, with remaining as cash rewards. As per the settlement method, the ownership of these shares will pass to the employees at the respective vesting dates, subject to satisfactory completion of the vesting conditions.

All amounts in thousands of Saudi Riyals unless otherwise stated

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

	Number of shares	
	2023	**2022**
Beginning of the year	**4,232,334**	**4,591,311**
Forfeited	(596,159)	(411,584)
Exercised / Expired	(1,607,790)	(634,519)
Granted during the year	649,547	687,126
End of the year	**2,677,932**	**4,232,334**

The weighted average price of shares granted during the year was SAR 40.99 (2022: SAR 38.20). Total treasury shares held by the Group as at 31 December 2023 were 3,573,713 shares (2022: 4,181,503 shares).

25. Basic and diluted earnings / (losses) per share

Basic and diluted earnings / (losses) per share from continuing and discontinued operations for the years ended 31 December 2023 and 31 December 2022 are calculated by dividing the net income / (loss) after Zakat and income tax from continuing and discontinued operations respectively for the years by the weighted average number of shares 2,054,794,522 (December 2022: 2,054,794,522) outstanding during the years.

26. Zakat and income tax

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

SAB has filed its Zakat and income tax return for the years 2022 and 2021 and they are under ZATCA reviews. Zakat and income tax assessments for 2019 and 2020 and income tax assessment for 2014 have been issued and SAB has settled the additional liabilities during the year and closed those assessments, Income tax assessments from 2015 to 2018 have not been received by the Bank.

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

	2023	**2022**
Opening Zakat and income tax liability	**1,028,636**	**1,174,320**
Charge for the year:		
Provision for Zakat	592,745	517,377
Provision for income tax	488,125	220,707
Charged for the current year	1,080,870	738,084
Prior year charge:		
Provision for Zakat	109,169	-
Provision for income tax	297	-
Charged for the prior year	109,466	-
Total charged	**1,190,336**	**738,084**
Payment of Zakat and income tax liability	(1,241,856)	(877,776)
Disposal of subsidiary	-	(5,992)
Closing Zakat and income tax liability	**977,116**	**1,028,636**

All amounts in thousands of Saudi Riyals unless otherwise stated

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The following table shows the movement in deferred tax:

	2023	2022
Opening deferred tax asset	**294,564**	**392,290**
Provision for deferred tax	(30,433)	(97,726)
Closing deferred tax asset	**264,131**	**294,564**

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

	2023	2022
Property, equipment, ROU, goodwill and other intangibles	149,890	213,837
Other liabilities	49,249	79,113
Provision for expected credit losses	64,992	1,614
Total	**264,131**	**294,564**

27. Cash and cash equivalents

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

	2023	2022
Cash and balances with SAMA excluding the statutory deposit (note 3)	2,994,294	5,934,657
Due from banks and other financial institutions with an original maturity of three months or less from date of the acquisition	7,204,390	5,873,421
Total	**10,198,684**	**11,808,078**

28. Employee benefit obligation

a) General description

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

b) Reconciliation of defined benefit obligation as 31 December.

	2023	2022
Defined benefit obligation at the beginning of the year	**748,494**	**711,414**
Charge for the year:		
Current service cost	72,114	68,225
Interest cost	30,112	18,160
Benefits paid	(62,037)	(72,772)
Liability acquired on acquisition of business	-	26,555
Re-measurement of defined benefit liability:		
Financial Assumptions	1,438	(37,108)
Demographic adjustments	1,082	(3,991)
Experience Adjustments	20,947	38,011
Defined benefit obligation at the end of the year	**812,150**	**748,494**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

	2023	2022
Discount rate	4.70%	4.20%
Expected rate of salary increase	4.70%	4.20%
Normal retirement age	60 Years	60 Years

d) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2023 to the discount rate and salary increase rate.

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

	Impact on defined benefit obligation –increase / (decrease)		
Base Scenario 2022	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(50,412)	57,310
Expected rate of salary increase	1%	58,875	(52,741)

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

e) Expected maturity

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

	Less than a year	1-2 years	2-5 years	Over 5 years	Total
2023	78,465	66,625	197,310	903,188	**1,245,588**

	Less than a year	1-2 years	2-5 years	Over 5 years	Total
2022	89,328	70,870	194,204	697,625	**1,052,027**

The weighted average duration of the defined benefit obligation is 8 years (2022: 7 years).

f) Defined Contribution Plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its staff. The total amount expensed during the year in respect of this plan was SAR 88 million (2022: SAR 77 million).

All amounts in thousands of Saudi Riyals unless otherwise stated

29. Operating segments

The Group's primary business is conducted in Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance. The Group's reportable segments are as follows:

Wealth & Personal Banking – caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking – caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury – manages the Group's liquidity, currency, and special commission rate risks. It is also responsible for funding the Group's operations and managing the Group's investment portfolio and liquidity position.

Capital Markets – Includes activities of the Group's investment in its subsidiary for brokerage and assets management, SAB Invest.

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

Transactions between the operating segments are reported as recorded by the Group's transfer pricing system. The Group's total assets and liabilities as at 31 December 2023 and 2022, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

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

All amounts in thousands of Saudi Riyals unless otherwise stated

31 December 2022	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets (restated)	**54,775,263**	**139,458,637**	**115,987,828**	**1,705,322**	**2,477,074**	**314,404,124**
Loans and advances, net	45,512,240	136,430,175	-	1,189,834	-	183,132,249
Investments, net	-	-	85,951,195	193,632	218,332	86,363,159
Investment in an associate	-	-	-	-	599,289	599,289
Total liabilities	**75,467,137**	**136,274,783**	**47,838,236**	**180,785**	**6,532**	**259,767,473**
Operating income / (loss) from external customers	2,230,391	5,250,681	2,035,209	211,090	(77,143)	9,650,228
Inter-segment operating income / (expense)	595,586	(392,031)	(206,981)	-	3,426	-
Total operating income, of which: (restated)	**2,825,977**	**4,858,650**	**1,828,228**	**211,090**	**(73,717)**	**9,650,228**
Net special commission income	2,403,159	3,932,477	1,035,780	36,871	-	7,408,287
Net fees and commission income / (expense)	184,137	684,994	(4,707)	66,502	(45,270)	885,656
Reversal of / (provision for) expected credit losses, net	**80,910**	**(530,085)**	**4,291**	**(377)**	**-**	**(445,261)**
Total operating (expense) / income	**(1,764,547)**	**(1,432,880)**	**(361,738)**	**(146,447)**	**43,766**	**(3,661,846)**
Share in earnings of an associate	-	-	-	-	172,144	172,144
Net income for the year before Zakat and income tax from continuing operations	**1,142,340**	**2,895,685**	**1,470,781**	**64,266**	**142,193**	**5,715,265**
Net loss from discontinued operations	**-**	**-**	**-**	**-**	**(53,860)**	**(53,860)**

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

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

2022	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital Markets	Others	Total
Assets	45,512,240	136,430,175	108,882,834	1,390,604	-	292,215,853
Commitments and contingencies	8,764	55,241,990	-	-	-	55,250,754
Derivatives	-	-	60,207,444	-	-	60,207,444
Total	**45,521,004**	**191,672,165**	**169,090,278**	**1,390,604**	**-**	**407,674,051**

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

All amounts in thousands of Saudi Riyals unless otherwise stated

30. Financial risk management

i) Credit risk

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

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

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

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

a) Provision for expected credit losses, net

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

	Notes	2023	2022
Net provision for expected credit losses:			
Due from banks and other financial institutions	4 (d)	1,128	314
Investments	5 (d)	(4,712)	3,977
Loans and advances	6 (c)	(931,617)	(906,110)
Loan commitments and financial guarantee contracts	20 (c)	(72,240)	(219,390)
Write-offs net, recoveries of debts previously written-off*		444,999	675,948
Net charge for the year		**(562,442)**	**(445,261)**

* Write-offs net, recoveries of debts previously written-off include purchase price allocation release from POCI accounts of SAR 486 million (2022: SAR 616 million).

All amounts in thousands of Saudi Riyals unless otherwise stated

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

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	13,802,941	-	-	-	-	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	1,225,397	28,919	1,111,329	3,859,965	154,930	6,380,540
Money market placements	1,026,941	-	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	261,620	12,683	1,851,305	-	6	2,125,614
Held as fair value hedges	-	-	214,550	-	-	214,550
Held as cash flow hedges	-	-	28,218	-	-	28,218
Investments, net:						
FVOCI	40,892,704	4,736,387	-	2,130,358	-	47,759,449
FVSI	985,189	-	-	-	-	985,189
Amortised cost	47,366,473	-	-	-	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	51,291,643	-	-	-	-	51,291,643
Corporate and institutional lending	155,894,865	5,107,423	-	-	720,920	161,723,208
Other assets	2,758,518	-	-	-	-	2,758,518
Total	**321,365,579**	**9,885,412**	**3,205,402**	**5,990,323**	**875,856**	**341,322,572**
Liabilities						
Due to banks and other financial institutions						
Current accounts	1,494,066	369,403	927,808	435,218	2,067,151	5,293,646
Money market deposits	15,633,652	1,478,601	-	-	75,012	17,187,265
Repo with banks	4,392,438	-	2,581,588	-	-	6,974,026
Others	2,741,165	-	-	-	-	2,741,165
Customer deposits:						
Demand	138,329,610	30,965	423,017	46,587	123,752	138,953,931
Time	98,125,008	-	-	437,027	16,365	98,578,400
Saving	2,068,837	-	13,827	-	9,733	2,092,397
Margin and other deposits	1,305,030	323	182	43	10,000	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	553,369	8,022	1,423,096	52	-	1,984,539
Held as fair value hedges	-	-	222,588	117	-	222,705
Held as cash flow hedges	-	-	24,202	24	-	24,226
Other liabilities	14,196,333	-	-	-	-	14,196,333
Total	**284,017,370**	**1,887,314**	**5,616,308**	**919,068**	**2,302,013**	**294,742,073**
Commitments and contingencies	**111,291,810**	**3,382,527**	**5,796,720**	**1,564,821**	**8,767,571**	**130,803,449**
Maximum credit exposure (stated at credit equivalent amounts)						
Assets	315,998,701	11,863,715	1,111,329	7,328,741	875,850	337,178,336
Commitments and contingencies	59,948,878	1,860,390	3,188,196	860,651	4,822,163	70,680,278
Derivatives	61,459,136	31,766	778,310	25,440	-	62,294,652
Total credit exposure	**437,406,715**	**13,755,871**	**5,077,835**	**8,214,832**	**5,698,013**	**470,153,266**

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,779,646	-	-	-	-	1,779,646
Balances with SAMA	17,363,545	-	-	-	-	17,363,545
Other balances	115,526	-	-	-	-	115,526
Due from banks and other financial institutions, net						
Current accounts	155,194	60,055	2,626,179	2,137,725	301,588	5,280,741
Reverse repos	590,792	-	-	-	-	590,792
Positive fair value derivatives, net						
Held for trading	142,841	16,090	1,848,375	61	-	2,007,367
Held as fair value hedges	-	306	496,627	33	-	496,966
Held as cash flow hedges	-	-	33,723	18	-	33,741
Investments, net						
FVOCI	25,927,436	1,607,693	-	3,402,991	-	30,938,120
FVSI	378,953	-	172,494	-	-	551,447
Amortised cost	54,243,433	-	-	-	-	54,243,433
Loans and advances, net						
Credit cards	2,384,882	-	-	-	-	2,384,882
Other retail lending	44,317,192	-	-	-	-	44,317,192
Corporate and institutional lending	131,595,057	3,401,591	-	-	1,433,527	136,430,175
Other assets	2,228,977	-	-	-	-	2,228,977
Total	**281,223,474**	**5,085,735**	**5,177,398**	**5,540,828**	**1,735,115**	**298,762,550**
Liabilities						
Due to banks and other financial institutions						
Current accounts	873,100	672,583	451,026	506,096	1,232,270	3,735,075
Money market deposits	12,179,427	625,170	-	-	-	12,804,597
Repo with banks	2,207,911	-	569,785	-	-	2,777,696
Others	6,199,935	-	-	-	-	6,199,935
Customer deposits						
Demand	140,922,966	33,811	318,870	35,020	116,798	141,427,465
Time	69,177,627	101,250	-	347,742	25,027	69,651,646
Saving	1,969,620	-	10,587	-	1,127	1,981,334
Margin and other deposits	1,208,406	-	-	-	10,000	1,218,406
Debt securities in issue	5,114,836	-	-	-	-	5,114,836
Negative fair value derivatives, net						
Held for trading	568,738	5,198	1,279,473	-	-	1,853,409
Held as fair value hedges	-	497	27,582	-	-	28,079
Held as cash flow hedges	-	-	25,948	-	-	25,948
Other liabilities	12,949,047	-	-	-	-	12,949,047
Total	**253,371,613**	**1,438,509**	**2,683,271**	**888,858**	**1,385,222**	**259,767,473**
Commitments and contingencies	**84,804,132**	**2,016,088**	**5,920,840**	**1,025,453**	**6,177,568**	**99,944,081**
Maximum credit exposure (stated at credit equivalent amounts)						
Assets	277,072,010	5,069,339	2,798,673	5,540,716	1,735,115	292,215,853
Commitments and contingencies	46,849,137	1,140,687	3,340,340	578,642	3,341,948	55,250,754
Derivatives	59,420,914	56,859	704,229	25,442	-	60,207,444
Total credit exposure	**383,342,061**	**6,266,885**	**6,843,242**	**6,144,800**	**5,077,063**	**407,674,051**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

2022	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other countries	Total
Non-performing loans and advances	4,140,524	151,859	-	-	-	**4,292,383**
Provision for expected credit losses	6,007,709	2,337	-	-	434	**6,010,480**

ii) Credit quality analysis

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

Write-off

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

Forbearance

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

Definition of 'default'

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

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

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

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

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

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

Loan modifications other than forborne loans

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

Measurement of ECL

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

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

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

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

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

Forward-looking economic inputs

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

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

Economic indicators	2023	2022
Government revenue, oil (SAR in Millions)	Upside: 692,742 Base: 663,833 Downside: 627,580	Upside: 1,081,736 Base: 1,037,847 Downside: 982,515
Oil Price – Arabian Light (US$ per barrel)	Upside: 87.9 Base: 84.3 Downside: 79.6	Upside: 108.2 Base: 103.8 Downside: 98.4
GDP, non-oil, nominal, LCU (SAR in Millions)	Upside: 2,551,903 Base: 2,498,757 Downside: 2,426,130	Upside: 2,249,037 Base: 2,224,958 Downside: 2,186,582
Unemployment Rate (%)	Upside: 5.55 Base: 5.56 Downside: 5.57	Upside: 5.76 Base: 5.77 Downside: 5.78

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

Economic indicators	Forecast calendar years used in 2023 ECL model			Forecast calendar years used in 2022 ECL model		
	2024	2025	2026	2023	2024	2025
Government revenue, oil (SAR in millions)	**713,571**	**717,925**	**732,039**	1,009,645	892,881	817,871
Oil Price – Arabian Light (US$ per barrel)	**85.2**	**81.6**	**81.3**	97.6	88.4	81.1
GDP, non-oil, nominal, LCU (SAR in millions)	**2,666,705**	**2,842,013**	**3,032,994**	2,376,348	2,486,526	2,590,852
Unemployment Rate (%)	**5.5**	**5.5**	**5.4**	5.6	5.6	5.6

Sensitivity of ECL allowance:

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

Assumptions sensitized	PL Impact 2023 SAR' 000
Macro-economic factors(Base scenario 2024):	
Government revenue, oil (SAR in millions) reduction by 4.8%	(24,788)
Oil Price – Arabian Light (US$ per barrel) increase by 1.3%	
GDP, non-oil, nominal, LCU (SAR in millions) reduction by 6.4%	
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	14,906
Base scenario sensitized by +/- 5% with corresponding change in upside	9,088

All amounts in thousands of Saudi Riyals unless otherwise stated

31. Market risk

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

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

a) Market risk-trading book

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

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

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

The VAR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for 1 day. The use of 99% confidence level depicts that within a one day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days. The VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results, however, may differ from the VAR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

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

The Group's VAR related information is as follows:

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

2022 (unaudited)	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2022	3,781	13,379	13,528
Average VAR for 2022	787	7,542	7,677
Minimum VAR for 2022	31	1,984	2,230
Maximum VAR for 2022	3,781	23,685	23,756

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

i) Special commission rate risk

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

The following table depicts the sensitivity to a reasonably possible change in commission rates, with other variables held constant, on the Group's consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in commission rates on the net special commission income for one year, based on the floating rate non - trading financial assets and financial liabilities repricing as at 31 December 2023 including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate FVOCI assets including the effect of any associated hedges as at 31 December 2023 for the effect of assumed changes in commission rates.

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

			2023				
Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+100	298,680	(100,852)	225,632	(589,273)	(3,233,439)	(3,399,252)
USD	+100	52,513	6,628	(10,342)	(183,737)	(671,031)	(805,969)
EUR	+100	(571)	(305)	(32)	-	-	(908)
Others	+100	(454)	541	-	(36)	-	51

			2023				
Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	(298,680)	100,852	(225,632)	589,273	3,233,439	3,399,252
USD	- 100	(52,513)	(6,628)	10,342	183,737	671,031	805,969
EUR	- 100	571	305	32	-	-	908
Others	- 100	454	(541)	-	36	-	(51)

All amounts in thousands of Saudi Riyals unless otherwise stated

			2022				
Currency	**Increase in basis points**	**Sensitivity of special commission income**	**Sensitivity of Equity**				
			6 months or less	**6-12 months**	**1-5 years**	**Over 5 years**	**Total**
SAR	+100	618,400	(33,313)	(93,860)	(866,488)	(1,839,195)	**(2,832,856)**
USD	+100	88,795	(2,352)	(12,184)	(83,677)	(29,199)	**(127,412)**
EUR	+100	(1,571)	-	-	-	-	**-**
Others	+100	(1,624)	-	-	-	-	**-**

			2022				
Currency	**Decrease in basis points**	**Sensitivity of special commission income**	**Sensitivity of Equity**				
			6 months or less	**6-12 months**	**1-5 years**	**Over 5 years**	**Total**
SAR	- 100	(618,400)	33,313	93,860	866,488	1,839,195	**2,832,856**
USD	- 100	(88,795)	2,352	12,184	83,677	29,199	**127,412**
EUR	- 100	1,571	-	-	-	-	**-**
Others	- 100	1,624	-	-	-	-	**-**

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

All amounts in thousands of Saudi Riyals unless otherwise stated

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

2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,775,854	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	-	-	-	-	1,162,440	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	5,143,947	-	-	-	1,236,593	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	2,125,614	2,125,614
Held as fair value hedges	-	-	-	-	214,550	214,550
Held as cash flow hedges	-	-	-	-	28,218	28,218
Investments, net:						
FVOCI	1,026,380	1,222,280	5,571,221	39,939,568	423,852	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	1,664,626	1,947,797	20,109,173	27,570,047	-	51,291,643
Corporate and institutional lending	125,856,048	32,870,651	2,858,858	137,651	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**141,382,985**	**40,423,105**	**52,775,979**	**83,225,983**	**23,970,245**	**341,778,297**
Liabilities						
Due to banks and other financial institutions:						
Current accounts	80,718	-	-	-	5,212,928	5,293,646
Money market deposits	12,795,025	4,392,240	-	-	-	17,187,265
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits:						
Demand	-	-	-	-	138,953,931	138,953,931
Time	90,746,350	7,805,963	26,087	-	-	98,578,400
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	-	-	-	-	1,315,578	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	-	-	-	-	1,984,539	1,984,539
Held as fair value hedges	-	-	-	-	222,705	222,705
Held as cash flow hedges	-	-	-	-	24,226	24,226
Other liabilities	101,033	50,548	288,690	163,803	13,592,259	14,196,333
Total liabilities	**117,627,963**	**14,759,080**	**885,061**	**163,803**	**161,306,166**	**294,742,073**
Commission rate sensitivity on assets and liabilities	**23,755,022**	**25,664,025**	**51,890,918**	**83,062,180**	**(137,335,921)**	**47,036,224**
Commission rate sensitivity on derivative financial instruments	**3,768,394**	**306,097**	**1,634,357**	**(5,708,848)**	**-**	
Total special commission rate sensitivity gap	**27,523,416**	**25,970,122**	**53,525,275**	**77,353,332**	**(137,335,921)**	
Cumulative special commission rate sensitivity gap	**27,523,416**	**53,493,538**	**107,018,813**	**184,372,145**	**47,036,224**	

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,779,646	1,779,646
Balances with SAMA	4,039,485	-	-	-	13,324,060	17,363,545
Other balances	-	-	-	-	115,526	115,526
Due from banks and other financial institutions, net:						
Current accounts	5,280,741	-	-	-	-	5,280,741
Reverse repos	590,792		-	-	-	590,792
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	2,007,367	2,007,367
Held as fair value hedges	-	-	-	-	496,966	496,966
Held as cash flow hedges	-	-	-	-	33,741	33,741
Investments, net:						
FVOCI	198,932	515,670	3,239,439	26,984,079	-	30,938,120
FVSI	-	10,107	218,267	323,073	-	551,447
Amortised cost	2,848,941	8,139,223	21,111,155	22,144,114	-	54,243,433
Loans and advances, net:						
Credit cards	2,384,882	-	-	-	-	2,384,882
Other retail lending	1,878,307	1,835,809	18,780,022	21,823,054	-	44,317,192
Corporate and institutional lending	103,385,652	31,088,703	1,804,933	150,887	-	136,430,175
Other assets	-	-	-	-	2,228,977	2,228,977
Total assets	**120,607,732**	**41,589,512**	**45,153,816**	**71,425,207**	**19,986,283**	**298,762,550**
Liabilities						
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	3,735,075	3,735,075
Money market deposits	4,485,201	8,319,396	-	-	-	12,804,597
Repo with banks	1,994,910	213,000	569,786	-	-	2,777,696
Others	1,669,595	1,793,596	2,736,744	-	-	6,199,935
Customer deposits:						
Demand	-	-	-	-	141,427,465	141,427,465
Time	60,654,812	8,692,288	304,546	-	-	69,651,646
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	-	-	-	-	1,218,406	1,218,406
Debt securities in issue	5,114,836	-	-	-	-	5,114,836
Negative fair value derivatives, net:						-
Held for trading	-	-	-	-	1,853,409	1,853,409
Held as fair value hedges	-	-	-	-	28,079	28,079
Held as cash flow hedges	-	-	-	-	25,948	25,948
Other liabilities	101,033	50,548	288,690	163,803	12,344,973	12,949,047
Total liabilities	**76,001,721**	**19,068,828**	**3,899,766**	**163,803**	**160,633,355**	**259,767,473**
Commission rate sensitivity on assets and liabilities	**44,606,011**	**22,520,684**	**41,254,050**	**71,261,404**	**(195,330,276)**	**(15,688,127)**
Commission rate sensitivity on derivative financial instruments	**4,853,102**	**(4,117,411)**	**2,380,018**	**(3,115,709)**	**-**	
Total special commission rate sensitivity gap	**49,459,113**	**18,403,273**	**43,634,068**	**68,145,695**	**(195,330,276)**	
Cumulative special commission rate sensitivity gap	**49,459,113**	**67,862,386**	**111,496,454**	**179,642,149**	**(15,688,127)**	

All amounts in thousands of Saudi Riyals unless otherwise stated

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

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group does not maintain material non-trading open currency positions. Foreign currency exposures that arise in the non-trading book are transferred to the trading book and are managed as part of the trading portfolio. The foreign exchange risk VAR disclosed in note 30 (a) reflects the Group's total exposure to currency risk.

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

	2023 Long / (short)	2022 Long / (short)
US Dollar	529,272	(4,462,175)
Euro	(2,200)	(10,791)
Sterling Pounds	(31,787)	(2,747)
Other	(33,645)	(19,425)

32. Liquidity risk

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

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA of 7% of monthly average demand deposits and 4% of monthly average of savings and time deposits. In addition to the statutory deposit, the Group also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash, Saudi Government Development Bonds or assets, which can be converted into cash within a period not exceeding 30 days. The Group has the ability to raise additional funds through repo facilities available with SAMA against Saudi Government Development securities.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and does not take account of effective maturities as indicated by the Group's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows. All derivatives used for hedging purposes are shown by maturity based on their contractual, undiscounted repayment obligations. As the major portion of the derivatives trading book comprises of back to back transactions and consequently the open derivatives trading exposures are small, the management believes that the inclusion of trading derivatives in the contractual maturity table is not relevant for an understanding of the timing of cash flows and hence these have been excluded.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The weekly liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liability Committee ("ALCO").

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

All amounts in thousands of Saudi Riyals unless otherwise stated

a) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below sets out the Group's undiscounted financial liabilities by remaining contractual maturities.

2023	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	5,293,646	-	-	-	-	5,293,646
Money market deposits	12,865,676	4,481,681	-	-	-	17,347,357
Repos with banks	3,572,666	2,900,975	567,906	-	-	7,041,547
Others	275,786	-	2,523,307	-	-	2,799,093
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	91,181,523	8,010,893	29,151	-	-	99,221,567
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,337	155,118	811,093	238,031	-	1,315,579
Debt securities in issue	196,211	201,660	1,295,228	6,013,258	-	7,706,357
Lease liabilities	72,117	60,736	288,799	158,864	-	580,516
Total undiscounted financial liabilities	**115,661,359**	**15,811,063**	**5,515,484**	**6,410,153**	**138,953,931**	**282,351,990**

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	3,735,075	-	-	-	-	3,735,075
Money market deposits	4,491,390	8,359,810	-	-	-	12,851,200
Repos with banks	1,999,717	213,000	569,786	-	-	2,782,503
Others	1,700,000	1,832,603	2,799,093	-	-	6,331,696
Customer deposits						
Demand	-	-	-	-	141,427,465	141,427,465
Time	62,577,385	8,869,952	316,041	-	-	71,763,378
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	74,259	162,689	698,431	283,027	-	1,218,406
Debt securities in issue	126,653	186,655	1,216,205	5,974,495	-	7,504,008
Lease liabilities	101,033	50,548	288,690	163,803	-	604,074
Total undiscounted financial liabilities	**76,786,846**	**19,675,257**	**5,888,246**	**6,421,325**	**141,427,465**	**250,199,139**

All amounts in thousands of Saudi Riyals unless otherwise stated

b) Maturity analysis of financial assets and liabilities

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

2023	Within 3 months	3-12 months	1-5 Years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net						
Current accounts	6,380,540	-	-	-	-	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net						
Held for trading	101,496	93,187	542,183	1,388,748	-	2,125,614
Held as fair value hedges	1,422	3,390	103,399	106,339	-	214,550
Held as cash flow hedges	3,594	-	-	24,624	-	28,218
Investments, net						
FVOCI	1,026,379	1,222,280	5,571,221	39,939,568	423,853	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net						
Credit cards	2,912,764	-	8,230	-	-	2,920,994
Other retail lending	3,057,257	1,563,031	20,540,006	26,131,349	-	51,291,643
Corporate and institutional lending	60,683,130	37,758,682	44,856,146	18,425,250	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**81,875,866**	**45,022,947**	**95,857,912**	**101,594,595**	**17,426,977**	**341,778,297**
Liabilities						
Due to banks and other financial institutions						
Current accounts	5,293,646	-	-	-	-	5,293,646
Money market deposits	12,795,025	4,392,240	-	-	-	17,187,265
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	90,746,350	7,805,963	26,087	-	-	98,578,400
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,371	155,118	811,093	237,996	-	1,315,578
Debt securities in issue	177,862	-	5,000,000	-	-	5,177,862
Negative fair value derivatives, net						
Held for trading	53,756	110,262	462,433	1,358,088	-	1,984,539
Held as fair value hedges	-	-	1,351	221,354	-	222,705
Held as cash flow hedges	1,652	-	16,588	5,986	-	24,226
Other liabilities	899,850	157,338	1,186,721	173,558	11,778,866	14,196,333
Total liabilities	**118,806,487**	**15,131,250**	**8,074,557**	**1,996,982**	**150,732,797**	**294,742,073**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

2022	Within 3 months	3-12 months	1-5 Years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,779,646	-	-	-	-	1,779,646
Balances with SAMA	4,039,485	-	-	-	13,324,060	17,363,545
Other balances	115,526	-	-	-	-	115,526
Due from banks and other financial institutions, net						
Current accounts	5,280,741	-	-	-	-	5,280,741
Reverse repos	590,792	-	-	-	-	590,792
Positive fair value derivatives, net						
Held for trading	37,750	42,294	571,639	1,355,684	-	2,007,367
Held as fair value hedges	1,935	24,420	139,725	330,886	-	496,966
Held as cash flow hedges	-	-	28,850	4,891	-	33,741
Investments, net						
FVOCI	198,932	515,670	3,239,439	26,984,079	-	30,938,120
FVSI	-	10,107	218,267	323,073	-	551,447
Amortised cost	2,848,941	8,139,223	21,111,155	22,144,114	-	54,243,433
Loans and advances, net						
Credit cards	2,376,229	-	8,653	-	-	2,384,882
Other retail lending	2,976,276	1,781,599	19,763,382	19,795,935	-	44,317,192
Corporate and institutional lending	44,716,095	31,027,438	35,003,131	25,683,511	-	136,430,175
Other assets	-	-	-	-	2,228,977	2,228,977
Total assets	**64,962,348**	**41,540,751**	**80,084,241**	**96,622,173**	**15,553,037**	**298,762,550**
Liabilities						
Due to banks and other financial institutions						
Current accounts	3,735,075	-	-	-	-	3,735,075
Money market deposits	4,485,201	8,319,396	-	-	-	12,804,597
Repo with banks	1,994,910	213,000	569,786	-	-	2,777,696
Others	1,669,595	1,793,596	2,736,744	-	-	6,199,935
Customer deposits						
Demand	-	-	-	-	141,427,465	141,427,465
Time	60,654,812	8,692,288	304,546	-	-	69,651,646
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	74,259	162,689	698,431	283,027	-	1,218,406
Debt securities in issue	114,836	-	5,000,000	-	-	5,114,836
Negative fair value derivatives, net						
Held for trading	34,131	35,322	524,001	1,259,955	-	1,853,409
Held as fair value hedges	-	28,079	-	-	-	28,079
Held as cash flow hedges	-	-	12,568	13,380	-	25,948
Other liabilities	1,608,638	559,482	373,712	384,472	10,022,743	12,949,047
Total liabilities	**76,352,791**	**19,803,852**	**10,219,788**	**1,940,834**	**151,450,208**	**259,767,473**

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Commitments and contingencies					
Letters of credit	9,422,742	4,379,527	429,214	1,883,509	16,114,992
Letters of guarantee	13,503,625	17,805,000	17,795,022	26,450,669	75,554,316
Acceptances	2,124,862	1,041,903	6,841	-	3,173,606
Irrevocable commitments to extend credit	810,460	895,808	2,207,607	1,187,292	5,101,167
Total commitments and contingencies	**25,861,689**	**24,122,238**	**20,438,684**	**29,521,470**	**99,944,081**

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

33. Offsetting of financial assets and liabilities

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

				Amount not set off in the consolidated statement of financial position	
	Gross amounts recognized	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Collateral / pledged	Net amount
2023					
Financial assets					
Positive fair value of derivatives	2,368,382	-	2,368,382	(355,372)	2,013,010
Financial liabilities					
Negative fair value of derivatives	2,231,470	-	2,231,470	(300,450)	1,931,020
Repurchase agreements	6,974,026	-	6,974,026	(6,886,385)	87,641
2022					
Financial assets					
Positive fair value of derivatives	2,538,074	-	2,538,074	(724,600)	1,813,474
Financial liabilities					
Negative fair value of derivatives	1,907,436	-	1,907,436	(69,323)	1,838,113
Repurchase agreements	2,777,696	-	2,777,696	(2,796,634)	(18,938)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

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

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

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

34. Fair values of financial instruments

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

31 December 2023	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Derivative financial instruments	2,368,382	-	2,368,382	-	**2,368,382**
Investments held as FVSI	1,017,062	502,444	514,618	-	**1,017,062**
Investments held as FVOCI – Debt	47,759,449	-	47,759,449	-	**47,759,449**
Investments held as FVOCI – Equity	423,852	250,046	-	173,806	**423,852**
Financial assets not measured at fair value					
Due from banks and other financial institutions	7,407,481	-	7,407,481	-	**7,407,481**
Investments held at amortised cost	47,366,473	-	44,893,595	-	**44,893,595**
Loans and advances	215,935,845	-	-	215,808,170	**215,808,170**
Financial liabilities measured at fair value					
Derivative financial instruments	2,231,470	-	2,231,470	-	**2,231,470**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	32,196,102	-	32,196,102	-	**32,196,102**
Customers deposits	240,940,306	-	240,768,784	-	**240,768,784**
Debt securities in issue	5,177,862	-	5,177,862	-	**5,177,862**

All amounts in thousands of Saudi Riyals unless otherwise stated

31 December 2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,538,074	-	2,538,074	-	**2,538,074**
Investments held as FVSI	963,274	411,827	551,447	-	**963,274**
Investments held as FVOCI – Debt	30,938,120	-	30,938,120	-	**30,938,120**
Investments held as FVOCI – Equity	218,332	194,569	-	23,763	**218,332**
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,871,533	-	5,871,533	-	**5,871,533**
Investments held at amortised cost	54,243,433	-	51,735,790	-	**51,735,790**
Loans and advances	183,132,249	-	-	183,097,308	**183,097,308**
Financial liabilities measured at fair value					
Derivative financial instruments	1,907,436	-	1,907,436	-	**1,907,436**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	25,517,303	-	25,517,303	-	**25,517,303**
Customers deposits	214,278,851	-	214,273,048	-	**214,273,048**
Debt securities in issue	5,114,836	-	5,114,836	-	**5,114,836**

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

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

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

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

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

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

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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

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

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

35. Related party transactions

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

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

	2023	2022
HSBC:		
Due from banks and other financial institutions	1,305,070	4,397,919
Investments	8,226	10,263
Fair value derivatives, net	9,607	24,517
Due to banks and other financial institutions	3,993,071	4,152,262
Commitments and contingencies	6,244,070	3,977,543
Associates:		
Investments	462,046	599,290
Loans and advances	-	72,370
Other assets	5,824	16,554
Customer deposits	900,888	1,083,661
Other liabilities	-	8,379
Retained Earnings	12,000	-
Commitments and contingencies	1,764	3,169
Directors, board committees, other major Shareholders, key management personnel and their affiliates:		
Investments	161,772	10,051
Loans and advances	1,464,342	2,623,881
Customers' deposits	4,583,743	4,936,339
Negative fair value derivatives, net	12,544	18,364
Other liabilities	17,235	19,335
Commitments and contingencies	127,092	132,056

All amounts in thousands of Saudi Riyals unless otherwise stated

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

	2023	2022
Related mutual funds:		
HSBC:		
Investments	389,473	370,264
Customers' deposits	16,105	1,875
Debt securities issued	-	212,000
Subsidiaries:		
Investments	72,527	38,361

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

Associates:		
Special commission income	601	13,622
Special commission expense	221,826	87,654
Fees and commission income	7,288	8,540
Service charges paid to an associate	1,768	4,261
Service charges recovered from associate	22,696	28,776
Profit share paid to associate relating to investment banking activities	74,424	68,803

HSBC, directors, board committees, other major shareholders, key management personnel and their affiliates:		
Special commission income	174,262	74,856
Special commission expense	77,382	9,034
Fees and commission income	65,444	86,477
General and administrative expenses	57,550	37,312
Service charges paid to HSBC	44,315	12,310
Directors' and board committees' remuneration	6,778	6,957

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

Short-term employee benefits *	47,756	34,616
Termination benefits	-	70
Other long-term benefits	16,841	12,077
Share-based payments	5,544	8,282

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

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

All amounts in thousands of Saudi Riyals unless otherwise stated

36. Capital risk management

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

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

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two-year period comprising 2020 and 2021 effective from 31 March 2021 financial statement reporting. Starting from 2022, the add-back amount will be then phased-out on a straight-line basis over the 3 years. The impact of these revised transitional arrangements to the Group's Tier 1 ratio have been an improvement of 34bps for the year ended 31 December 2023.

The current period numbers are presented as per Basel III Reforms issued by SAMA (circular number 44047144) effective from 1 January 2023 while the prior period is based on Basel III regulations.

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

	2023	2022
Risk Weighted Assets (RWA)		
Credit Risk RWA	279,968,368	232,948,313
Operational Risk RWA	10,458,162	16,212,894
Market Risk RWA	3,724,396	7,091,185
Total RWA	**294,150,926**	**256,252,392**
Additional Tier I Capital (Note 19)	3,985,000	-
Tier I Capital	52,038,574	45,236,925
Tier II Capital	5,958,473	5,795,143
Total I and II Capital	**57,997,047**	**51,032,068**
Capital Adequacy Ratio %		
Tier I ratio	17.69%	17.65%
Tier I + Tier II ratio	19.72%	19.91%
CET1	16.34%	17.65%

37. IBOR transition (Interest Rate Benchmark Reforms)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition. The Group was exposed to the effects of USD LIBOR reform on its financial assets and liabilities.

38. Investment management and brokerage services

The Group offers investment management services to its customers that include the management of investment funds and discretionary portfolios with total assets of SAR 27.25 billion (2022: SAR 15.75 billion), in consultation with professional investment advisors. The financial statements of these funds are not consolidated with the consolidated financial statements of the Group. The Group's investment in these funds is included in investments held as FVSI. Fees earned from management services are recorded within fee and commission income and are disclosed under "related party transactions". Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, therefore, are not included in these consolidated financial statements.

All amounts in thousands of Saudi Riyals unless otherwise stated

39. Business combination

During the year ended 31 December 2022, sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia (as Seller) to SAB Invest (as Buyer) was completed. The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SAB Invest being the acquirer of the lines of business from HSBC Saudi Arabia.

The transaction enables SAB to strategically widen the service offering to a large base of clients across the Kingdom taking one step closer to the fulfillment of SAB's commitment towards helping its customers achieve long-term value creation by giving them access to one of Saudi Arabia's leading wealth and asset management platforms. The transaction will allow SAB Invest to acquire scale and significantly enhance its position in the asset management and retail brokerage businesses in the Kingdom.

a) Purchase consideration

The total purchase consideration for sale and transfer of the business lines amounted to SAR 1,216.8 million. The sale and transfer comprises acquired assets amounting to SAR 1,169.9 million and total liabilities assumed amounting to SAR 73.1 million, resulting in a bargain purchase of SAR 108.6 million.

b) Identifiable assets acquired and liabilities assumed

The following table summarises the assets acquired, liabilities assumed, purchase consideration and resultant bargain purchase amount at the date of acquisition 15 September 2022.

Margin lending	1,169,200
Other assets	700
Total assets	**1,169,900**
Liabilities	(73,100)
Net identifiable assets	**1,096,800**
Customer relationships	228,600
Bargain purchase	**(108,600)**
Total purchase consideration	**1,216,800**

The completion of purchase price allocation exercise resulted in a bargain purchase of SAR 108.6 million. It represents an excess of fair value of net identifiable assets acquired and intangible assets over purchase consideration paid.

c) Acquired receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Fair value of the acquired receivables	Gross contractual amount receivable	The contracted cash flows not expected to be collected
Margin financing	1,169,200	1,169,200	-
Other financial assets	700	700	-
Total	**1,169,900**	**1,169,900**	-

d) Purchase price allocation

The completion of the purchase price allocation exercise within twelve months from the acquisition date, including restatement of provisional fair values at which the net assets were acquired from HSBC Saudi Arabia, has had the following impact on the line items of the consolidated statements of financial position, income, and changes in equity for the year ended 31 December 2022:

All amounts in thousands of Saudi Riyals unless otherwise stated

Financial statements impacted	Description	As previously reported as at/ for the year ended 31 December 2022	Effect of restatement	Restated – 31 December 2022
Consolidated Statement of Financial Position	Goodwill and other intangibles, net	10,837,035	(46,553)	10,790,482
Consolidated Statement of Financial Position	Total assets	314,450,677	(46,553)	314,404,124
Consolidated Statement of Financial Position	Retained earnings	6,244,780	(46,553)	6,198,227
Consolidated Statement of Financial Position	Total equity	54,683,204	(46,553)	54,636,651
Consolidated Statement of Income	Total operating income	9,697,028	(46,800)	9,650,228
Consolidated Statement of Income	Net income for the year after Zakat and tax	4,872,148	(46,553)	4,825,595
Consolidated Statement of Income	Earnings / (losses) per share (Basic and Diluted)	2.40	(0.02)	2.38

40. Discontinued operations

During the period ended 30 June 2022, SABB Takaful entered into a binding merger agreement with Walaa on 24 February 2022. After completion of the Merger Transaction on 19 October 2022, Walaa became, by operation of law, the legal successor of the assets, liabilities, rights and obligations of SABB Takaful and SABB Takaful ceased to exist.

The investment in Walaa has been classified as FVOCI from the effective date of the merger.

Summarized statement of income of defunct SABB Takaful included in SAB's consolidated statement of income for the year ended 31 December 2022 under discontinued operations is as below:

	19 October 2022 (Unaudited)
Net operating income	17,403
Total operating expenses	(65,231)
Zakat and income tax	(6,032)
Net loss from discontinued operations for the period	**(53,860)**

41. Profit sharing investment account (PSIA)

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

As of 31 December 2023, all joint financing is funded by comingled pool which includes funds from (vi) Mudaraba based unrestricted investment accountholder.

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

	2023	2022
Sales and other receivables (Murabaha)	1,667,071	727,915
Ijarah	192,069	96,700
Other instruments including Sukuk investments	697,042	294,651
Total average financing and investments	**2,556,182**	**1,119,266**

All amounts in thousands of Saudi Riyals unless otherwise stated

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

Computation of pool income is as follows:

	2023	2022
Total pool income	**101,088**	**22,276**
Pool Income	101,088	22,276
Mudarib fee including Mudarib's share of profit	53,869	13,196
Movement to or from PER/IRR	-	-
Total amount attributable to shareholders pool	47,219	9,081

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

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

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

	2023	2022
Average investment account holders balance before profit	2,556,182	1,119,267
Profit for the IAH during the year	47,219	9,081
Profit paid out during the year	(47,219)	(9,081)
Total average equity for investment account holders	**2,556,182**	**1,119,267**

42. Government grant

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

In accordance with the requirements of IFRS 9, the programme will result in a fair value loss being booked on origination of the subsidized mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the compensation amount received from REDF qualifies as a government grant under IAS 20, that will be recognized as income on a systematic basis to off-set the fair value losses arising over the course of the programme. Pending origination of mortgages under the programme, the pro-rata compensation balance amount received from REDF has been classified under "Other liabilities".

As the programme only commenced shortly before the year end, government grant income recognized for the year (within "Other operating income, net") was not material.

All amounts in thousands of Saudi Riyals unless otherwise stated

43. Auditors' remuneration

	2023	2022
Fees for the quarterly reviews and annual audit of the Group	8,699	8,207
Fees for other services	1,892	332
Total	**10,591**	**8,539**

44. Subsequent event

Subsequent to the approval of the consolidated financial statement, the Board of Directors has proposed a distribution of cash dividend amounting to SAR 2,014 million for the second half of financial year ended 31 December 2023 on 29 Rajab 1445H (Corresponding 10 February 2024). This equates to SAR 0.98 per share for Saudi shareholders, net of Zakat. The income tax applicable to foreign shareholders will be withheld from their dividend payments.

45. Board of Directors' approval

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 Rajab 1445H (Corresponding 7 February 2024).