AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
TOGETHER WITH THE
INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Amlak International Finance Company (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Amlak International Finance Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), 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 the Code's requirements.

Our audit approach

Overview

Key Audit Matter	Expected credit loss allowance against Murabaha, Ijara and Ijara mawsofa fi athemma receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the Key audit matter
Expected credit loss allowance against Murabaha, Ijara and Ijara mawsofa fi athemma receivables As at 31 December 2024, gross Murabaha, Ijara and Ijara mawsofa fi athemma receivables were SAR 3,017.8 million, SAR 1,273.2 million and SAR 90.5 million respectively, against which the Group maintained an expected credit loss ("ECL") allowance of SAR 35 million, SAR 24.2 million and SAR 0.09 million respectively. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include: 1. Categorisation of receivables into Stages 1, 2 and 3 based on the identification of: a. exposures with a significant increase in credit risk ("SICR") since their origination; and b. individually impaired / defaulted exposures. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR according 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 ECL allowance against Murabaha, Ijara and Ijara mawsofa fi athemma receivables including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year. • We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of key controls (including relevant "IT" general and application controls) over: ○ the ECL model, including governance over the model, and any model updates performed during the year, including approval of the respective oversight committee of key inputs, assumptions and post model adjustments; ○ the classification of financing into Stages 1, 2 and 3, timely identification of SICR and the determination of defaulted / individually impaired exposures; and ○ the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: ○ the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of the Group's ECL methodology and available industry information. We also assessed that these were consistent with the ratings used as input in the ECL model; and ○ management's computations for ECL.

Independent auditor's report to the shareholders of Amlak International Finance Company (A Saudi Joint Stock Company) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
3. The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors that might not have been captured by the ECL model. *Application of these judgements and estimates results in greater estimation uncertainty and the associated audit risk around ECL calculation as at 31 December 2024.* *Refer to the material accounting policies note 3(g) for the impairment of financial assets; note 2(d)(i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 25(1) which contains the disclosure of impairment against these receivables, credit quality analysis and key assumptions and factors considered in determination of ECL.*	• For selected customers, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. • We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "defaulted" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's financing portfolio. • We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. • We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2024. • Where required, we involved our experts to assist us in auditing model calculations, evaluating interrelated inputs (including EADs, PDs and LGDs) and assessing reasonableness of assumptions used in the ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Group's 2024 Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as they 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, the Board of Directors 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 the Board of Directors 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 the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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.

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 scepticism 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.

Independent auditor's report to the shareholders of Amlak International Finance Company (A Saudi Joint Stock Company) (continued)

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

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

- Conclude on the appropriateness of the Board of Directors' 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

PricewaterhouseCoopers

Khalid A. Mahdhar
License No. 368

Date: 19 February 2025

AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(SR '000)

	Note	2024	2023
ASSETS			
Cash and cash equivalents	4	**32,360**	27,736
Investments	5	**893**	893
Positive fair value of derivatives	12	**6,855**	14,327
Murabaha receivables, net	6	**2,982,731**	1,868,183
Ijara receivables, net	7	**1,249,034**	1,768,329
Ijara mawsofa fi athemmah receivables, net	8	**90,435**	97,169
Prepayments and other assets	9	**82,373**	55,531
Property, equipment and right of use assets, net	10	**67,530**	53,455
Total assets		**4,512,211**	3,885,623
LIABILITIES AND EQUITY			
Account payables and other accruals	11	**76,789**	69,755
Negative fair value of derivatives	12	**3,723**	4,493
Zakat and income tax payable	13	**12,096**	7,809
Borrowings	14	**3,175,406**	2,600,070
Employees' end of service benefits	15	**19,478**	17,874
Total liabilities		**3,287,492**	2,700,001
Share capital	16	**1,019,250**	906,000
Statutory reserve	18	**-**	101,934
Cash flow hedge reserve	12	**3,132**	9,834
Retained earnings		**202,337**	167,854
Total equity		**1,224,719**	1,185,622
Total liabilities and equity		**4,512,211**	3,885,623

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Murad Alsadiq Chief Finance Officer	Adnan Al Shubaily Chief Executive Officer	Abdullah Al Howaish Chairman

AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024
(SR '000)

	Note	2024	2023
INCOME			
Income from Murabaha contracts		318,669	109,667
Income from Ijara contracts		106,354	180,441
Income from Ijara mawsofa fi athemmah contracts		8,320	8,959
Loss on sale of portfolio and revaluation of servicing rights asset, net		(1,276)	(26)
Fees and commission income		20,199	14,119
Total income from Murabaha, Ijara and Ijara mawsofa fi athemmah		452,266	313,160
EXPENSES			
Finance cost		(198,227)	(136,108)
Fee expense		(10,690)	(1,402)
Net income from Murabaha, Ijara and Ijara mawsofa fi athemmah		243,349	175,650
Other operating income			
Other income		1,113	5,154
		244,462	180,804
Operating expenses			
Depreciation and amortisation	10	(12,910)	(9,896)
General and administrative expenses	22	(121,793)	(103,775)
Selling and marketing expenses	23	(22,641)	(13,818)
Impairment charge for expected credit losses, net		(28,485)	(14,363)
Net income for the year before zakat and income tax		58,633	38,952
Zakat and income tax expense	13	(12,319)	(7,146)
Net income for the year		46,314	31,806
Basic and diluted earnings per share (SR)	20	0.45	0.31

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Murad Alsadiq
Chief Finance Officer

Adnan Al Shubaily
Chief Executive Officer

Abdullah Al Howaish
Chairman

AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(SR '000)

	Note	2024	2023
Net income for the year		46,314	31,806
Other comprehensive (loss) / income			
Items that may be reclassified to consolidated statement of profit or loss in subsequent years:			
Net change in fair value of cash flow hedges		**(6,702)**	(9,198)
Items that will not to be reclassified to consolidated statement of profit or loss in subsequent years:			
Remeasurement (loss) / gain on defined benefit plan	15	(515)	497
Total other comprehensive loss		(7,217)	(8,701)
Total comprehensive income for the year		39,097	23,105

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Murad Alsadiq
Chief Finance Officer

Adnan Al Shubaily
Chief Executive Officer

Abdullah Al Howaish
Chairman

AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(SR '000)

	Share capital	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
For the year ended 31 December 2024					
Balance at 1 January 2024	906,000	101,934	9,834	167,854	1,185,622
Net income for the year	-	-	-	46,314	46,314
Other comprehensive loss	-	-	(6,702)	(515)	(7,217)
Total comprehensive (loss) / income	-	-	(6,702)	45,799	39,097
Bonus issuance (note 17)	113,250	(101,934)	-	(11,316)	-
Balance at 31 December 2024	1,019,250	-	3,132	202,337	1,224,719
For the year ended 31 December 2023					
Balance at 1 January 2023	906,000	98,753	19,032	211,213	1,234,998
Net income for the year	-	-	-	31,806	31,806
Other comprehensive (loss) / income	-	-	(9,198)	497	(8,701)
Total comprehensive (loss) / income	-	-	(9,198)	32,303	23,105
Transfer to statutory reserve	-	3,181	-	(3,181)	-
Dividend	-	-	-	(72,481)	(72,481)
Balance at 31 December 2023	906,000	101,934	9,834	167,854	1,185,622

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Murad Alsadiq
Chief Finance Officer

Adnan Al Shubaily
Chief Executive Officer

Abdullah Al Howaish
Chairman

AMLAK INTERNATIONAL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(SR'000)

	Note	2024	2023
Cash flows from operating activities:			
Net income for the year before zakat and income tax		**58,633**	38,952
Non-cash adjustment to reconcile net income before zakat and income tax for the year to net cash used in operating activities			
Depreciation and amortisation	10	**12,910**	9,896
Finance cost		**198,227**	133,065
Employees' end of service benefits	15	**3,857**	3,236
Impairment allowance for expected credit losses, net		**21,008**	10,478
Write-off expense		**7,477**	3,885
Loss on sale of portfolio and revaluation of servicing rights asset		**1,276**	26
Unwinding of gain on SAMA deposit, net		**-**	3,043
Other income		**(1,113)**	(5,154)
		302,275	197,427
(Increase) / decrease in operating assets			
Murabaha receivables		**(1,146,717)**	(1,449,462)
Ijara receivables		**521,551**	992,466
Ijara mawsofa fi athemmah receivables		**6,886**	(7,826)
Prepayments and other assets		**(26,842)**	45,949
Increase / (decrease) in operating liabilities			
Account payables and other accruals		**10,618**	(29,930)
		(332,229)	(251,376)
Finance cost paid	14	**(196,716)**	(121,500)
Employees' end of service benefits paid	15	**(2,768)**	(987)
Zakat and income tax paid	13	**(8,032)**	(18,936)
Net cash used in operating activities		**(539,745)**	(392,799)
Cash flows from investing activities			
Purchase of property and equipment	10	**(27,194)**	(21,929)
Proceeds from sale of property under possession		**1,000**	10,000
Net cash used in investing activities		**(26,194)**	(11,929)
Cash flows from financing activities			
Repayment of borrowings	14	**(1,120,444)**	(1,040,057)
Proceeds from borrowings	14	**1,695,000**	1,870,000
SAMA deposit paid		**-**	(358,906)
Dividend paid		**-**	(72,481)
Payment of lease liabilities		**(3,993)**	(4,318)
Net cash generated from financing activities		**570,563**	394,238
Net change in cash and cash equivalents		**4,624**	(10,490)
Cash and cash equivalents at the beginning of the year	4	**27,736**	38,226
Cash and cash equivalents at the end of the year	4	**32,360**	27,736
Non-cash supplemental information:			
Net changes in fair value of cash flow hedge		**6,702**	9,198
Right of use of asset		**15,370**	19,862
Lease Liabilities		**16,371**	19,842

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

Murad Alsadiq
Chief Finance Officer

Adnan Al Shubaily
Chief Executive Officer

Abdullah Al Howaish
Chairman

1 THE GROUP AND THE NATURE OF OPERATIONS

Amlak International Finance Company (formerly Amlak International for Real Estate Finance Company) (the "Company") is a Saudi Joint Stock Company established and registered in the Kingdom of Saudi Arabia under commercial registration number 1010234356 in Riyadh dated 27/05/1428H (corresponding to 13/06/2007G) and Ministry of Commerce Resolution No. 132/S dated 25/05/1428H (corresponding to 11/06/2007G) and the Saudi Central Bank ("SAMA") License No. 2/PU/201312 dated 21/02/1435H (corresponding to 24/12/2013G). The Company operates through branches in Riyadh, Jeddah and Khobar. With effect from 22 December 2022, the name of the Company was changed from Amlak International for Real Estate Finance Company to Amlak International Finance Company.

As per the revised commercial registration certificate of the Company dated 17 Rajab 1444 H (corresponding to 28 Feb 2023), the objectives of the Group have been updated to provide real estate financing, SMEs financing, and personal financing as per SAMA approval dated 20 Rabea Awwal 1444H (corresponding to 16 Oct 2022).

The registered office of the Company is located at Thumamah Road, Kingdom of Saudi Arabia. A Corporate Office has been established in Jeddah by the Company in 2019. The Company has the following branches in the Kingdom of Saudi Arabia:

Branch Commercial Registration Number	Date of issuance	Location
2050057816	30/12/1428	Khobar
4030171680	24/07/1428	Jeddah

The Company has the following subsidiary:

Name of the subsidiary	Registration Number	Country of incorporation	Ownership	Principal business activity
Amlak International For Real Estate Development Company	1010317413	Saudi Arabia	100%	Hold titles of real estate properties financed by Amlak International Finance Company

These consolidated financial statements comprise the financial statements of the Company and the subsidiary (Amlak International for Real Estate Development Company) together herein after referred to as the Group.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidation financial statements of the Group are prepared:

i. in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA); and

ii. in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and By-laws of the Company.

(b) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement of investments and derivatives, which are carried at fair value. Further, employees' end of service benefits are measured at present value of future obligations using the Projected Unit Credit Method.

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), as it is the functional currency of the Group. All financial information presented has been rounded-off to the SR in thousand unless otherwise stated.

2 BASIS OF PREPARATION (continued)

(d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA 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 judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

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

i. Impairment of financial assets

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

The Group's Expected Credit Loss ("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, which assigns probability of defaults (PDs) to corporate and high net worth customers;

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

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

- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil prices and collateral values, and the effect on PDs, exposure at default (EAD) and loss given defaults (LGD); and

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

ii. Servicing rights under agency agreements

An intangible asset is recognised for servicing rights under agency arrangements (acquired by the Group pursuant to sale of originated Ijara contracts to third parties or as consideration for financing arrangements services) at the present value of net future cash flows under the agency arrangements. The net present value computation encompasses among others, estimates in respect of discount rate and fair value of services. For assumptions involved in the calculation of servicing rights under agency arrangements refer note 21.

iii. 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 resources to continue in business for the foreseeable future. Additionally, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, these consolidated financial statements have been prepared on a going concern basis.

iv. Fair value measurement - refer note 3 (o) and 26

v. Employees' end of service benefits – refer note 15

2 BASIS OF PREPARATION (continued)

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the financial statements of the subsidiary, as stated in note 1. The financial statements of the subsidiary is prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the consolidated financial statements of the subsidiary, where necessary, to align with the Group's consolidated financial statements.

Subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3 MATERIAL ACCOUNTING POLICIES

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

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2023 unless otherwise stated.

The following accounting policies are applicable effective 1 January 2024 replacing, amending or adding to the corresponding accounting policies set out in 2023 annual audited consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the Group:

Standard, interpretation, amendments	**Description**	**Effective date**
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024

(SR '000)

3 MATERIAL ACCOUNTING POLICIES (continued)

b) Accounting standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning after 1 January 2025 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

Standard, interpretation, amendments	**Description**	**Effective date**
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption / effective date deferred indefinitely)
IFRS 18, 'Presentation and Disclosure in Financial Statements'	The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: • the structure of the statement of profit or loss; • required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	Reporting periods beginning on or after 1 January 2027
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments include: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Reporting periods beginning on or after 1 January 2026
IFRS 19 - Reducing subsidiaries` disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

3 MATERIAL ACCOUNTING POLICIES (continued)

c) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any. The cost less estimated residual value of property and equipment is depreciated/ amortized on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalised. The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold improvements	Shorter of 10 years or lease term
Furniture and fixtures	6
Office equipment	5
Information technology equipment	3 to 5 years
Softwares	10 years

d) Murabaha receivables

Murabaha is an agreement whereby the Group sells to a customer an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

e) Ijara receivables

Ijara receivables represent assets transferred under finance lease under Islamic lease agreement and the present value of the lease payments is recognised as a receivable and disclosed under "Ijara receivables". The difference between the gross receivables and the present value of the receivables is recognised as unearned Ijara income. Ijara income is recognised over the term of the Ijara using the net investment method, which reflects a constant periodic rate of return.

f) Ijara mawsofa fi athemmah receivables

Ijara mawsofa fi athemmah is an agreement where gross amounts due under Ijara includes the total of future lease payments, plus estimated residual amounts (lease contract receivable). The difference between the lease contracts receivable and the cost of the leased assets is recorded as unearned Ijara mawsofa fi athemmah income. Ijara mawsofa fi athemmah income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

g) Impairment

The Group recognizes impairment allowance for ECL on the following financial instruments:

- Murabaha receivables;
- Ijara receivables; and
- Ijara mawsofa fi athemmah receivables.

No impairment loss is recognized on equity investments.

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

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

3 MATERIAL ACCOUNTING POLICIES (continued)

g) Impairment (continued)

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.

Credit-impaired Murabaha receivables, Ijara receivables and Ijara mawsofa fi athemmah receivables

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or lease by the Group on terms that the Group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

A loan or lease 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 loan or lease that is overdue for 90 days or more is considered impaired.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and

- 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.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition .This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial assets.

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

Impairment allowances for ECL of financial assets measured at amortised cost are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off

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

3 MATERIAL ACCOUNTING POLICIES (continued)

g) Impairment (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as financial guarantees and real estate. Collateral, unless repossessed, is not recorded on the Group consolidated statement of financial position. However, the fair value of the real estate collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a yearly basis. Other non-tangible collateral are not considered while calculating the ECL.

Non-financial collateral, such as real estate, is valued by third party valuers appointed by the Group.

Collateral repossessed

The Group policy is to sell the repossessed asset. The repossessed asset is classified as held for sale at the fair value less cost to sell for non-financial assets at the repossession date.

h) Financial instruments

All financial assets and financial liabilities are initially recognized on the trade date i.e. the date which the Group becomes party to the contractual provisions of the instrument. Financial assets comprise cash and cash equivalents, investments, Murabaha receivables, Ijara receivables, Ijara mawsofa fi athemmah receivable, derivative and other receivables. Financial liabilities comprise borrowings, derivatives, accounts and other payables and other liabilities.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial asset at amortised cost

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

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

Financial asset at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit and foreign exchange gains and losses are recognised in profit or loss.

Equity instrument: 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 instrument-by- instrument basis.

3 MATERIAL ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

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

Business model assessment

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

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

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

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

Assessments whether contractual cash flows are solely payments of principal and profit:

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

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

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

3 MATERIAL ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Classification of financial liabilities

The Group classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of.

(i) the consideration received (including any new asset obtained less any new liability assumed); and
(ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

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

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

Financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial Liabilities

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

3 MATERIAL ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the entity has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to commission rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging 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 forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting periods for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to consolidated statement of profit or loss for the period.

i) Income / expenses recognition

Income and expenses

Income from Murabaha, Ijara and Ijara mawsofa fi athemmah contracts and borrowing costs are recognized in profit or loss using the effective profit rate method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the amortized cost of the financial instrument.

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

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

Measurement of amortized cost and income

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

3 MATERIAL ACCOUNTING POLICIES (continued)

i) Income / expenses recognition (continued)

Measurement of amortized cost and income (continued)

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

In calculating profit, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, profit is calculated by applying the effective profit rate to the net carrying amount (amortised cost less ECL) of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit reverts to the gross basis.

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

j) Zakat and income tax

The Group's Saudi and GCC shareholders are subject to zakat and non-Saudi shareholders are subject to income tax in accordance with the regulations of the Zakat, Tax and Custom Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia.

k) Employees' termination benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Group recognises related restructuring costs

Interest cost is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of income of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses)

- Net special commission expense or income (under borrowing facility cost and charges)

l) Expenses

Selling and marketing expenses are those that specifically relate to salesmen and marketing expenses. All other expenses are classified as general and administrative expenses.

m) Fee and commission income and expense

Fee income and expense that are integral part to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income is recognised as the related services are performed including servicing income. Other fee expense relates mainly to transaction and services fee, which are expensed as the services are received.

3 MATERIAL ACCOUNTING POLICIES (continued)

n) Finance cost

Finance costs are expensed in the period to which they relate. Finance costs consist of profit and other costs that the Group incurs in connection with the borrowing of funds and amortisation of financial charges and lease liabilities.

o) Fair value measurement

The Group measures certain financial instruments, such as, derivatives and equity instruments at fair value at each consolidated statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 26.

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 by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

- Level 2 — Inputs other than quoted prices included within 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 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, management of the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

p) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

3 MATERIAL ACCOUNTING POLICIES (continued)

q) Other real estate asset

The Group acquires certain real estate against settlement of joint ventures and Murabaha, Ijara and Ijara Mowsofa Fi Athemmah receivable balances. Such real estates are considered as assets held for sale and are initially stated at the lower of net realisable value of due receivable balances or the joint ventures and the current fair value of related properties, less any costs to sell.

r) Value added tax ("VAT")

The Group collects VAT from its customers for qualifying services provided, and make 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.

s) Government grant

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in the consolidated statement of profit or loss 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.

t) Accounting for leases

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

Right of use assets

The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets' value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

After the commencement date, Group measures the lease liability by:

1 Increasing the carrying amount to reflect interest on the lease liability.

2 Reducing the carrying amount to reflect the lease payments made and;

3 Re-measuring the carrying amount to reflect any re-assessment or lease modification.

(SR '000)

3 MATERIAL ACCOUNTING POLICIES (continued)

t) Accounting for leases (continued)

Lease liability (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4 CASH AND CASH EQUIVALENTS

	2024	2023
Cash on hand	**41**	35
Cash at bank – current accounts (note 4.1)	**32,319**	27,701
	32,360	27,736

4.1 Bank balances are with counterparties that have investment grade credit ratings, i.e. 'BBB' or higher by Standard and Poor's or Moody's.

5 INVESTMENTS

	2024	2023
Investment at FVTPL	**-**	-
Investment at FVOCI	**893**	893
	893	893

The movement in cost and unrealized loss of the investment at FVTPL during the years ended 31 December was as follows:

	2024	2023
Cost at the beginning and end of the year	**-**	2,520
Fair value (loss) / gain:		
At beginning of the year	**-**	(2,415)
Change in fair value, net	**-**	-
At end of the year	**-**	(2,415)
Disposal of investment during the year	**-**	(105)
Net carrying amount	**-**	-

6 MURABAHA RECEIVABLES, NET

	2024	2023
Gross Murabaha receivables	**3,017,771**	1,879,922
Less: Allowance for expected credit losses	**(35,040)**	(11,739)
Murabaha receivables, net	**2,982,731**	1,868,183

6.1 The ageing of Murabaha receivables as at 31 December was as follows:

Days past due:	**2024**	2023
Not due yet	**2,604,415**	1,732,232
1 – 30	**241,588**	115,031
31 – 60	**91,914**	26,554
61 –90	**24,179**	3,399
Above 90	**55,675**	2,706
Total	**3,017,771**	1,879,922

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6 MURABAHA RECEIVABLES, NET (continued)

6.2 The maturity profile of murabaha receivables as at 31 December was as follows:

	2024			
	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
Gross Murabaha receivables	**742,819**	**2,094,690**	**180,262**	**3,017,771**
Less: Allowance for expected credit losses				**(35,040)**
Murabaha receivables, net				**2,982,731**

	2023			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Gross Murabaha receivables	307,300	1,370,224	202,398	1,879,922
Less: Allowance for expected credit losses				(11,739)
Murabaha receivables, net				1,868,183

6.3 Stage wise analysis of Murabaha receivables is as follows:

31 December 2024	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Gross Murabaha receivables	**2,789,902**	**171,165**	**56,704**	**3,017,771**
Allowance for expected credit losses	**(13,223)**	**(2,043)**	**(19,774)**	**(35,040)**
Murabaha receivables, net	**2,776,679**	**169,122**	**36,930**	**2,982,731**
31 December 2023				
Gross Murabaha receivables	1,741,204	132,362	6,356	1,879,922
Allowance for expected credit losses	(9,116)	(1,265)	(1,358)	(11,739)
Murabaha receivables, net	1,732,088	131,097	4,998	1,868,183

6.4 The movement in allowance for expected credit losses is as follows:

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**9,116**	**1,265**	**1,358**	**11,739**
Charge during the year	**4,107**	**778**	**19,188**	**24,073**
Written-off receivables	**-**	**-**	**(772)**	**(772)**
Closing balance	**13,223**	**2,043**	**19,774**	**35,040**

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Opening balance	-	102	413	515
Charge during the year	9,116	1,163	945	11,224
Closing balance	9,116	1,265	1,358	11,739

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6 MURABAHA RECEIVABLES, NET (continued)

6.5 Impairment charge for expected credit losses, net:

	31 December 2024	31 December 2023
Charge for the year	**24,073**	11,224
Write-off expense	**1,669**	-
Net	**25,742**	11,224

6.6 The movement in gross Murabaha receivables is as follows:

	31 December 2024	31 December 2023
Opening balance	**1,879,922**	480,708
Financial assets originated during the year (all stage 1)	**1,868,845**	1,164,771
Net other movements	**(728,555)**	234,443
Written-off receivables	**(2,441)**	-
Closing balance	**3,017,771**	1,879,922

6.7 The table below stratifies credit exposures from Murabaha receivables into ranges of receivables to collateral value ratio. Murabaha receivables to value ratio are calculated by dividing the gross amount of the financing with the fair value of the underlying property. The gross amount of financing used in calculating this ratio excludes any impairment allowance.

	2024	2023
Receivables to collateral ratio		
Upto 50%	**863,633**	416,052
51-70%	**1,033,442**	990,958
71-85%	**40,967**	149,630
No collateral	**1,079,729**	323,282
Total exposure	**3,017,771**	1,879,922

7 IJARA RECEIVABLES, NET

	2024	2023
Gross investment in Ijara receivables	**1,718,092**	2,417,574
Less: Unearned income	**(444,832)**	(621,487)
Net investment in Ijara receivables	**1,273,260**	1,796,087
Less: Allowance for expected credit losses	**(24,226)**	(27,758)
Ijara receivables, net	**1,249,034**	1,768,329

7.1 The ageing of Ijara receivables as at 31 December was as follows:

Days past due:	2024	2023
Not due yet	**817,892**	1,256,822
1 – 30	**238,755**	332,560
31 – 60	**16,312**	26,536
61 –90	**51,979**	23,459
Above 90	**148,322**	156,710
Total	**1,273,260**	1,796,087

The fair value of collaterals, based on latest independent appraisals, held against Non-performing Ijara receivables as at 31 December 2024 was SR 255.43 million (2023: SR 250.91 million).

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7 IJARA RECEIVABLES, NET (continued)

7.2 The maturity profile of Ijara receivables as at 31 December was as follows:

	2024			
	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
Gross investment in Ijara receivables	**430,902**	**644,740**	**642,450**	**1,718,092**
Less: Unearned income	**(82,157)**	**(187,665)**	**(175,010)**	**(444,832)**
Net investment in Ijara receivables	**348,745**	**457,075**	**467,440**	**1,273,260**
Less: Allowance for expected credit losses				**(24,226)**
Ijara receivables, net				**1,249,034**

	2023			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Gross investment in Ijara receivables	530,800	1,099,977	786,797	2,417,574
Less: Unearned income	(124,240)	(280,690)	(216,557)	(621,487)
Net investment in Ijara receivables	406,560	819,287	570,240	1,796,087
Less: Allowance for expected credit losses				(27,758)
Ijara receivables, net				1,768,329

7.3 Stage wise analysis of Ijara receivables is as follows:

31 December 2024	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Gross Ijara receivables	**899,927**	**211,984**	**161,349**	**1,273,260**
Allowance for expected credit losses	**(663)**	**(1,124)**	**(22,439)**	**(24,226)**
Ijara receivables, net	**899,264**	**210,860**	**138,910**	**1,249,034**
31 December 2023				
Gross Ijara receivables	1,251,298	365,490	179,299	1,796,087
Allowance for expected credit losses	(1,785)	(2,527)	(23,446)	(27,758)
Ijara receivables, net	1,249,513	362,963	155,853	1,768,329

7.4 The movement in allowance for expected credit losses is as follows:

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**1,785**	**2,527**	**23,446**	**27,758**
Reversal during the year	**(1,122)**	**(1,403)**	**(558)**	**(3,083)**
Written-off receivables	**-**	**-**	**(449)**	**(449)**
Closing balance	**663**	**1,124**	**22,439**	**24,226**

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Opening balance	288	4,970	69,822	75,080
Reversal during the year	1,497	(2,443)	(15)	(961)
Written-off receivables	-	-	(46,361)	(46,361)
Closing balance	1,785	2,527	23,446	27,758

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7 IJARA RECEIVABLES, NET (continued)

7.5 Impairment charge for expected credit losses, net:

	31 December 2024	31 December 2023
Reversal for the year	**(3,083)**	(961)
Write-off expense	**4,698**	3,885
Net	**1,615**	2,924

7.6 The movement in gross Ijara receivables is as follows

	31 December 2024	31 December 2023
Opening balance	**1,796,087**	2,788,579
Financial assets originated during the year (all stage 1)	**6,028**	43,987
Net other movements	**(523,708)**	(986,233)
Written-off receivables	**(5,147)**	(50,246)
Closing balance	**1,273,260**	1,796,087

7.7 The table below stratifies credit exposures from Ijara receivables into ranges of receivables to collateral value ratio. Ijara receivables to value ratio is calculated by dividing the gross amount of the financing with the fair value of the underlying property. The gross amount of financing used in calculating this ratio excludes unearned income and any impairment allowance.

	2024	2023
Receivables to collateral ratio		
Upto 50%	**542,841**	699,541
51-70%	**272,681**	435,577
71-85%	**369,923**	524,194
86-100%	**55,005**	117,503
above 100%	**32,810**	19,272
Total exposure	**1,273,260**	1,796,087

8 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	2024	2023
Gross investment in Ijara mawsofa fi athemmah receivables	**150,433**	169,311
Less: Unearned income	**(59,910)**	(71,902)
Net investment in Ijara mawsofa fi athemmah receivables	**90,523**	97,409
Less: Allowance for expected credit losses	**(88)**	(240)
Ijara mawsofa fi athemmah receivables, net	**90,435**	97,169

8.1 The ageing of Ijara mawsofa fi athemmah receivables as at 31 December was as follows:

Days past due:	**2024**	2023
Not due yet	**67,501**	70,825
1 - 30	**20,969**	23,031
31 - 60	**760**	149
61 - 90	**-**	-
Above 90	**1,293**	3,404
Total	**90,523**	97,409

The fair value of collaterals, based on latest independent appraisals, held against impaired Ijara mawsofa fi athemmah as at 31 December 2024 was SR 1.76 million (2023: SR 5.04 million).

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8 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET (continued)

8.2 The maturity profile of Ijara mawsofa fi athemmah receivables as at 31 December was as follows:

	2024			
	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
Gross investment in Ijara mawsofa fi athemmah receivables	**11,835**	**44,476**	**94,122**	**150,433**
Less: Unearned income	**(6,732)**	**(23,695)**	**(29,483)**	**(59,910)**
Net investment in Ijara mawsofa fi athemmah receivables	**5,103**	**20,781**	**64,639**	**90,523**
Less: Allowance for expected credit losses				**(88)**
Ijara mawsofa fi athemmah receivables, net				**90,435**

	2023			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Gross investment in Ijara mawsofa fi athemmah receivables	12,611	47,061	109,639	169,311
Less: Unearned income	(7,670)	(26,691)	(37,541)	(71,902)
Net investment in Ijara mawsofa fi athemmah receivables	4,941	20,370	72,098	97,409
Less: Allowance for expected credit losses				(240)
Ijara mawsofa fi athemmah receivables, net				97,169

8.3 Stage wise analysis of Ijara mawsofa fi athemmah receivables is as follows:

31 December 2024	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Gross Ijara mawsofa fi athemmah receivables	**87,974**	**1,266**	**1,283**	**90,523**
Allowance for expected credit losses	**(23)**	**-**	**(65)**	**(88)**
Ijara mawsofa fi athemmah receivables, net	**87,951**	**1,266**	**1,218**	**90,435**
31 December 2023				
Gross Ijara mawsofa fi athemmah receivables	93,014	998	3,397	97,409
Allowance for expected credit losses	(17)	-	(223)	(240)
Ijara mawsofa fi athemmah receivables, net	92,997	998	3,174	97,169

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8 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET (continued)

8.4 The movement in allowance for expected credit losses is as follows:

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**17**	**-**	**223**	**240**
Charge during the year	**6**	**-**	**12**	**18**
Written-off receivables	**-**	**-**	**(170)**	**(170)**
Closing balance	**23**	**-**	**65**	**88**

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Opening balance	22	3	-	25
Charge during the year	(5)	(3)	223	215
Written-off receivables	-	-	-	-
Closing balance	17	-	223	240

8.5 Impairment charge for expected credit losses, net:

	31 December 2024	31 December 2023
Charge for the year	**18**	215
Write-off expense	**1,110**	-
Net	**1,128**	215

8.6 The movement in gross Ijara mawsofa fi athemmah receivables is as follows:

	31 December 2024	31 December 2023
Opening balance	**97,409**	89,583
Financial assets originated during the year (all stage 1)	**-**	-
Net other movements	**(5,694)**	7,826
Written-off receivables	**(1,280)**	-
Closing balance	**90,435**	97,409

8.7 The table below stratifies credit exposures from Ijara mawsofa fi athemmah receivables into ranges of receivables to collateral value ratio. Ijara mawsofa fi athemmah receivables to value ratio is calculated by dividing the gross amount of the financing with the fair value of the underlying property. The gross amount of financing used in calculating this ratio excludes unearned income and any impairment allowance.

	2024	2023
Receivables to collateral ratio		
Upto 50%	**5,394**	5,892
51-70%	**40,348**	33,985
71-85%	**38,187**	46,082
86-100%	**6,594**	11,450
Total exposure	**90,523**	97,409

9 PREPAYMENTS AND OTHER ASSETS

	2024	2023
Properties repossessed	**40,222**	28,529
Prepaid incentives	**16,438**	5,843
Servicing rights (note 21)	**12,063**	13,339
Other receivables	**7,645**	2,987
Value added tax receivable	**620**	316
Others	**5,385**	4,517
	82,373	55,531

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10 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

2024	**Leasehold improvements**	**Office equipment**	**Furniture and fixtures**	**Information technology equipment***	**Right of use asset****	**Capital work in progress*****	**Total**
Cost:							
Balance at beginning of the year	**6,732**	**1,281**	**1,819**	**49,469**	**33,352**	**13,103**	**105,756**
Additions	**139**	**14**	**85**	**1,457**	**-**	**25,499**	**27,194**
Transfers	**437**	**10**	**119**	**24,882**	**-**	**(25,448)**	**-**
Disposal / Write offs	**-**	**-**	**-**	**-**	**(209)**	**-**	**(209)**
Balance at end of the year	**7,308**	**1,305**	**2,023**	**75,808**	**33,143**	**13,154**	**132,741**
Accumulated depreciation:							
Balance at beginning of the year	**4,150**	**1,055**	**975**	**32,631**	**13,490**	**-**	**52,301**
Charge for the year	**985**	**104**	**306**	**7,232**	**4,283**	**-**	**12,910**
Reversals due to write offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of the year	**5,135**	**1,159**	**1,281**	**39,863**	**17,773**	**-**	**65,211**
Net book amount: As at 31 December 2024	**2,173**	**146**	**742**	**35,945**	**15,370**	**13,154**	**67,530**

* This includes software and other technologies (Core Banking System, Middleware, Development Costs etc.) which are treated under IAS 38.

** Right of use assets pertains to lease of premises of the Group's head office and its branches.

*** Capital work in progress as at 31 December 2024 represents mainly the amount paid for information technology system implementation / upgrade.

The charge for the year allocated to general and administrative expenses and selling and marketing expenses amounts to SR 10.82 million and SR 2.08 million respectively (2023: SR 8.31 million and SR 1.59 million).

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

2023	Leasehold improvements	Office equipment	Furniture and fixtures	Information technology equipment*	Right of use asset**	Capital work in progress***	Total
Cost:							
Balance at beginning of the year	6,716	1,256	1,626	42,116	29,919	2,954	84,587
Additions	16	18	92	547	3,433	17,823	21,929
Transfers	-	7	101	7,566	-	(7,674)	-
Disposal / Write offs	-	-	-	(760)	-	-	(760)
Balance at end of the year	6,732	1,281	1,819	49,469	33,352	13,103	105,756
Accumulated depreciation:							
Balance at beginning of the year	3,218	951	718	28,202	10,076	-	43,165
Charge for the year	932	104	257	5,189	3,414	-	9,896
Reversals due to write offs	-	-	-	(760)	-	-	(760)
Balance at end of the year	4,150	1,055	975	32,631	13,490	-	52,301
Net book amount: As at 31 December 2023	2,582	226	844	16,838	19,862	13,103	53,455

* This includes software and other technologies (Core Banking System, Middleware, Development Costs etc.) which are treated under IAS 38.

** Right of use assets pertains to lease of premises of the Group's head office and its branches.

*** Capital work in progress as at 31 December 2023 represents mainly the amount paid for information technology system implementation / upgrade.

11 ACCOUNT PAYABLES AND OTHER ACCRUALS

	2024	2023
Accrued expenses	**17,079**	14,791
Lease liabilities	**16,371**	19,842
Salaries and employee related expenses	**12,533**	12,719
Advance from customers	**9,749**	9,059
Servicing contract payables	**2,113**	2,842
Amount received from customers	**-**	214
Others	**18,944**	10,288
	76,789	69,755

12 DERIVATIVES

As at 31 December 2024, the Group held profit rate swaps ("PRS") of a notional value of SR 1,250 million (2023: SR 750 million) in order to hedge its exposure to commission rate risks related to its borrowings. The tables below summarizes the fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity.

			Notional amount			
SR in 000'	**Positive fair value of PRSs**	**Negative fair value of PRSs**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
2024	**6,855**	**(3,723)**	**300,000**	**100,000**	**850,000**	**-**
2023	14,327	(4,493)	-	-	750,000	-

13 ZAKAT AND INCOME TAX

a) The movement in zakat is as follow:

	2024	**2023**
Balance at the beginning of the year	**7,809**	19,599
Charge for the year	**12,096**	7,790
Prior year charge / (reversal)	**223**	(644)
	12,319	7,146
Payments made during the year	**(8,032)**	(18,936)
Balance as at end of the year	**12,096**	7,809

b) Zakat and income tax status

Zakat and income tax declaration for all the years up till 2023 have been filed with the ZATCA and acknowledgement certificates have been obtained. Subsequent to the year end, the Group has received final zakat assessments for the year ended 31 December 2023 and no additional demand has been raised for assessed year.

14 BORROWINGS

These represent amounts borrowed from local commercial banks and Saudi Real Estate Re-finance Group ("SRC") under Islamic borrowings approved by Sharia Committee. These facilities carry borrowing costs at profit rates ranging from 1 month to 1 year Saudi Inter Bank Offer rates ("SIBOR") plus spread with maturity ranging from 1 month to 5 years and are secured by the assignment of proceeds from the Group's receivables. The agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained. The Group was in compliance with all loan covenants as at 31 December 2024 and 2023. A breakdown of borrowings by maturity is as follows:

Borrowings:	**2024**	2023
Current portion	**1,052,328**	704,228
Non-current portion	**2,123,078**	1,895,842
	3,175,406	2,600,070

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14 BORROWINGS (continued)

14.1 The movement in borrowings for the years ended 31 December was as follows:

	2024	2023
Balance at beginning of the year	**2,600,070**	1,759,216
Borrowings obtained during the year	**1,695,000**	1,870,000
Principal repayments during the year	**(1,120,444)**	(1,040,057)
Profit accrued during the year	**197,496**	132,411
Profit repayments during the year	**(196,716)**	(121,500)
Balance at end of the year	**3,175,406**	2,600,070

15 EMPLOYEES' END OF SERVICE BENEFITS

The following tables summarise the components of employees' end of service benefits recognised in the consolidated statements of financial position, profit or loss and other comprehensive income.

a) Amount recognised in the consolidated statement of financial position as at 31 December:

	2024	2023
Present value of defined benefit obligation	**19,478**	17,874

b) Benefit expense (recognised in the consolidated statement of profit or loss):

	For the year ended 31 December	
	2024	2023
Current service cost	**885**	2,511
Interest cost	**2,959**	725
Past service cost	**13**	-
	3,857	3,236

c) Movement in the present value of defined benefit obligation:

	For the year ended 31 December	
	2024	**2023**
Present value of defined benefit obligation at beginning of the year	**17,874**	16,122
Charge recognised in the consolidated statement of profit or loss:		
- Current service cost	**885**	2,511
- Finance cost	**2,959**	725
- Past service cost	**13**	-
	3,857	3,236
Actuarial loss / (gain) on defined benefit plan recognized in the consolidated statement of other comprehensive income	**515**	(497)
Benefits paid	**(2,768)**	(987)
Present value of defined benefit obligation at end of the year	**19,478**	17,874

d) Principal actuarial assumptions:

	2024	2023
Discount rate	**5.10%**	4.95%
Salary increase rate	**3.50%**	3.50%

15 EMPLOYEES' END OF SERVICE BENEFITS (continued)

e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2024		31 December 2023	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(497)**	**527**	(584)	628
Future salary growth (1% movement)	**527**	**(509)**	631	(598)

16 SHARE CAPITAL

As at 31 December 2024, the Group's authorised, issued and paid-up share capital was SR 1,019.25 million (31 December 2023: SR 906 million) divided into 101.925 million shares (31 December 2023: 90.6 million shares) with a nominal value of SR 10 each.

17 INCREASE IN SHARE CAPITAL

During the year, the share capital of the Company has increased by way of issuance of bonus shares. The increase in share capital was funded by the statutory reserve and a portion of retained earnings by granting 1 bonus share for every 8 shares. The authorized, issued and paid up share capital of the Company has increased from SR 906 million to SR 1,019.25 million. The number of issued shares has increased from 90.6 million shares to 101.925 million shares. The Company received all required approvals from the authorities and the shareholders approved this capital increase, as well as the related changes in the by-laws of the Group, in the Extraordinary General Assembly ("AGM") meeting held on 20 May 2024.

18 STATUTORY RESERVE

In accordance with the previous Regulations for Companies in Kingdom of Saudi Arabia and Company's Article of Association, the Group was required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve was not available for distribution to shareholder.

As per Article 177 of the new Companies Law, the Group removed the minimum statutory reserve requirement of 30%, therefore, previously recorded statutory reserve is transferred to retained earnings and it is now distributable to shareholders. During the year ended 31 December 2024, the Group has obtained the AGM approval to update the bylaws accordingly. Moreover, the Group has utilised previous statutory reserve to increase the share capital through bonus shares as explained in note 17.

19 DIVIDENDS

During the year ended 31 December 2024, the shareholders approved and declared dividends by way of issuance of bonus shares (note 17) of SR 113.25 million for the year 2023 (31 December 2023: by way of cash SR 72.48 million for the year 2022).

20 EARNINGS PER SHARE

The basic and diluted earnings per share have been computed by dividing net profit after zakat and income tax for the year by the weighted average numbers of share outstanding during the year.

	2024	2023
Profit for the year *(SR '000)*	**46,314**	31,806
Weighted average number of ordinary shares *(in thousands)*	**101,925**	101,925
Basic and diluted earnings per share *(SR)*	**0.45**	0.31

There are no potential dilutive instruments as at December 31, 2024 (December 31, 2023: Nil).

* The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the effect of the changes in number of shares due to issuance of bonus shares subsequent to year end. Please refer to note 17 for further information.

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21 SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

The Group enters into arrangements for servicing Ijara receivables and Ijara mowsofa fi athemmah receivables on behalf of third parties. Such receivables represent instruments initially originated by the Group and subsequently sold to third party. The Group acts in the sole capacity of servicing agent represented by activities such as collection of Ijara receivables rentals on behalf of the principals. No credit risk is assumed by the Group throughout the period of servicing. As at 31 December 2024, the net present value of future cashflows under the servicing agreements amount to SR 12.06 million (2023: SR 13.34 million).

During the year, the Group sold its financing portfolio amounted to SR Nil (31 December 2023: SR 11.6 million) and entered into an agency contract for servicing these receivables. The outstanding balance of portfolio, which the Group is servicing as at 31 December 2024 amounted to SR 611.40 million (2023: SR 670.26 million).

Assumptions involved in the calculation of servicing rights under agency arrangements are as follows:

Discount rates:

Discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the Group's incremental borrowing rate.

Servicing costs:

The Group assesses the cost of servicing including staff and other costs, to arrive at a base rate per contract.

Early settlement rate:

The Group calculates early settlement rate as a percentage of total portfolio sold to a third party with the portfolio which has early settled till the end of the year.

22 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	For the year ended 31 December	
		2024	2023
Salaries and employee related cost		**87,209**	74,163
Information technology expenses		**8,719**	7,290
Board fees		**5,933**	4,600
VAT expenses		**5,880**	4,840
Professional fee	22.1	**5,115**	3,940
Communication		**1,428**	1,213
Rent and other expenses		**1,290**	950
Bank charges		**1,244**	1,167
Maintenance expenses		**965**	1,160
Travelling expenses		**269**	353
Others		**3,741**	4,099
		121,793	103,775

22.1 Auditor's remuneration:

	For the year ended 31 December	
	2024	2023
Fee for statutory audit and interim reviews	**660**	570
Fee for other statutory and related certifications	**120**	90
	780	660

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23 SELLING AND MARKETING EXPENSES

	For the year ended 31 December	
	2024	2023
Salaries and outsourcing cost	**12,865**	8,551
Marketing expenses	**6,589**	3,240
Insurance	**3,187**	2,027
	22,641	13,818

24 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include its shareholders and their affiliated entities, the Subsidiary, members of the Board and its committees and key management personnel. Affiliate represents entities under common control and entities controlled by key management personnel of the Company. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel represent Managing Director, Chief Executive Officer and his direct reportees.

Significant transactions and balances arising from transactions with related parties are as follows:

Nature of transactions	Name of related party	Relationship	Amounts of transactions for the year ended 31 December	
			2024	2023
Finance cost	The Saudi Investment Bank	Significant shareholder	**54,437**	39,437
Salaries and benefits	Key management personnel	Key management	**23,588**	20,058
Financing income	Key management personnel	Key management	**18**	75
Board fees	Board members	Board members	**5,933**	4,600

Nature of balances and names of related parties	Relationship	Balances	
		2024	2023
Bank balances:			
The Saudi Investment Bank	Shareholder	**9,125**	7,291
Borrowings:			
The Saudi Investment Bank	Shareholder	**805,314**	623,887
Positive/ (Negative) fair value of derivatives:			
The Saudi Investment Bank	Shareholder	**808**	(4,493)
Financing and advances:			
Key management personnel	Key management	**748**	703
Board of Directors' fees			
Board members	Board members	**556**	455

25 FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Management Committee, which has the responsibility to monitor the overall risk process within the Group.

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

The Risk Management Committee is responsible for managing risk decisions and monitoring on risk levels and reports on a quarterly basis to the Board Risk Management Committee.

1) Credit risk

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to Murabaha, Ijara and Ijara mawsofa fi athemmah receivables.

The Group assesses the probability of default of counterparties using internal rating mechanism. This is done for corporate and high net worth individuals only.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

The Group's risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on regularly basis.

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

Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

Below are the Group's internal credit rating for corporate and high net worth individuals portfolio:

Internal rating grades	Internal rating description	PD range
Performing:		
1	Investment grade	0.05%
2+ to 2-	Investment grade	0.05%
3+ to 3-	Investment grade	0.05%-0.06%
4+ to 4-	Investment grade	0.11%-0.94%
5+ to 5-	Non-investment grade	5.91%-8.10%
6+ to 6-	Non-investment grade	8.10%-10.04%
7+ to 7-	Non-investment grade	24.45%
Non-performing:		
8	Sub-standard	100%
9	Doubtful	100%
10	Loss	100%

The retail portfolio is categorized as unrated.

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was on account of:

	2024	2023
Cash at bank	**32,319**	27,701
Positive fair value of derivatives	**6,855**	14,327
Murabaha receivables, net	**2,982,731**	1,868,183
Ijara receivables, net	**1,249,034**	1,768,329
Ijara mawsofa fi athemmah receivables, net	**90,435**	97,169
Other receivables	**8,668**	11,861
	4,370,042	3,787,570

a) Credit quality analysis

The following table sets out information about the credit quality of financing and leasing financial assets as at 31 December. The amounts in the table represent gross carrying amounts.

2024:	**Stage 1 - 12 months ECL**		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	**Gross exposure**	**Impairment allowance for credit losses**	**Net exposure**
Grades 1 to 4-	**1,184,900**	**2,740**	**1,182,160**
Grades 5+ to 7-	**2,584,767**	**11,167**	**2,573,600**
Unrated	**8,136**	**2**	**8,134**
Total	**3,777,803**	**13,909**	**3,763,894**

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

a) Credit quality analysis (continued)

The following table sets out information about the credit quality of financing and leasing financial assets as at 31 December. The amounts in the table represent gross carrying amounts. (continued)

	Stage 2 - Lifetime ECL (not credit impaired)		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	**Gross Exposure**	**Impairment allowance for credit losses**	**Net exposure**
Grades 1 to 4-	**62,925**	**381**	**62,544**
Grades 5+ to 7-	**321,490**	**2,786**	**318,704**
Unrated	**-**	**-**	**-**
Total	**384,415**	**3,167**	**381,248**

	Stage 3 - Lifetime ECL (credit impaired)		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	**Gross Exposure**	**Impairment allowance for credit losses**	**Net exposure**
Grades 1 to 4-	**13,471**	**3,895**	**9,576**
Grades 5+ to 7-	**65,999**	**15,833**	**50,166**
Grades 8 to 10	**139,866**	**22,550**	**117,316**
Unrated	**-**	**-**	**-**
Total	**219,336**	**42,278**	**177,058**

2023:	Stage 1 - 12 months ECL		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	Gross exposure	Impairment allowance for credit losses	Net exposure
Grades 1 to 4-	901,101	781	900,320
Grades 5+ to 7-	2,180,740	10,137	2,170,603
Unrated	3,675	-	3,675
Total	3,085,516	10,918	3,074,598

	Stage 2 - Lifetime ECL (not credit impaired)		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	Gross exposure	Impairment allowance for credit losses	Net exposure
Grades 1 to 4-	9,075	9	9,066
Grades 5+ to 7-	489,775	3,783	485,992
Unrated	-	-	-
Total	498,850	3,792	495,058

	Stage 3 - Lifetime ECL (credit impaired)		
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables	Gross exposure	Impairment allowance for credit losses	Net exposure
Grades 1 to 4-	6,129	554	5,575
Grades 5+ to 7-	58,574	7,478	51,096
Grades 8 to 10	124,349	16,995	107,354
Unrated	-	-	-
Total	189,052	25,027	164,025

25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

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

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

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

- the 12 months probability of default (PD) as at the reporting date; with
- the 12 months probability of default (PD) at the time of initial recognition of the exposure

Stage 1: When receivables are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivables has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. Stage 2 receivables also include facilities, where the credit risk has improved and the receivables has been reclassified from Stage 3.

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

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

i) Credit risk grades

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

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

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

Corporate exposures	All exposures
• Information obtained during annual review of customer files – e.g. audited consolidated financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes. • Actual and expected significant changes in business activities of the borrower.	• Payment record – this includes overdue status. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

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

ii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures separately for the corporate and retail portfolios.

The Group analyses the relationships between its historical default rates and macro-economic factors. For both the corporate and retail portfolios, the key macro-economic indicator is oil price and GDP. The Group has formulated a view of the future direction of relevant economic variables for three different scenarios.

iii) Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased significantly.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

For the corporate and high net worth individual portfolio, apart from the increase in PD (2 rating downgrade or 6 sub-notch down) criteria and customers whose receivables are restructured due to deterioration in credit worthiness, as a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

For retails loans, apart from the customers whose receivables are restructured due to deterioration in credit worthiness, as a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

iv) Modified financial assets

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

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

- the risk of default at the reporting date (based on modified contractual terms); and
- the risk of default occurring at initial recognition (based on original, unmodified contractual terms)

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

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

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

iv) Modified financial assets (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of receivable covenants. Both retail and corporate receivables are subject to the forbearance policy. The Group Risk Management Committee regularly reviews reports on forbearance activities.

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

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

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from economic experts and consideration of a variety of forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by International Monetary Fund.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

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

Economic Indicators	**31 December 2024**	31 December 2023
Gross domestic product	Indicator no longer used for ECL assessment	Base case 75% Best case 5% Downside 20%
Government expenditures	Indicator no longer used for ECL assessment	Base case 75% Best case 5% Downside 20%
Inflation (%age change)	Best case: +1 Standard Deviation Worse case: -1 Standard Deviation	
Government net lending/borrowing (%age of GDP)	Best case: +1 Standard Deviation Worse case: -1 Standard Deviation	
Brent Oil Prices	Best case: +1 Standard Deviation Worse case: -1 Standard Deviation	

Scenario Weightage
The scenario weightage used as at the year-end are as follows:

	2024	2023
Base Case	**60.72%**	40.00%
Beset Case	**18.29%**	30.00%
Worst Case	**20.99%**	30.00%

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

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

v) Incorporation of forward looking information (continued)

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 7 years.

Economic indicators	**Forecast calendar years used in 2024 ECL model**			Forecast calendar years used in 2023 ECL model		
	2024	**2025**	**2026**	2023	2024	2025
GDP	**-**	**-**	**-**	7.62%	7.62%	3.67%
Government expenditure	**-**	**-**	**-**	29.48%	26.8%	27.7%
Inflation (%age change)	**1.74%**	**1.89%**	**2.03%**	-	-	-
Government net lending / borrowing (%age of GDP)	**-3.03%**	**-3.44%**	**-3.23%**	-	-	-
Brent Oil Prices	**$81.13**	**$75.60**	**$72.93**	-	-	-

vi) Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to the Company in full;
- the borrower is classified in default category as per internal credit grade (applicable for corporate and high net worth individuals); or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative e.g. breaches of covenant
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to Company

vii) Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:

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

PD estimates are estimates at a certain date, which are calculated, based on statistical rating mechanism, and assessed using rating grades tailored for the corporate and high net worth individuals portfolios. These rating mechanisms are based on both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. Further the PD term structure is estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties. LGD estimation considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the financial asset. Due to sparse historical defaults, the quantitative LGD estimates has been adjusted for qualitative overlays based on the Company's empirical loss experience and is subject to back testing.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Company has a right to require repayment.

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

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

vii) Measurement of ECL (continued)

For portfolios in respect of which the Company has limited historical data or depending on the materiality of portfolio, qualitative adjustment is used to supplement any internally available data.

Sensitivity of ECL allowance:

The uncertainty due to continued impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

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

Assumptions sensitized	**Impact on Profit or (loss) (2024)**	Impact on Profit or (loss) (2023)
Macro-economic factors:		
Increase in government expenditure by 5%	**-**	1,191
Decrease in government expenditure by 5%	**-**	(1,279)
Increase in GDP by 5%	**-**	182
Decrease in GDP by 5%	**-**	(184)
Increase in Inflation by 5%	**213.13**	-
Decrease in inflation by 5%	**(210.92)**	-
Increase in Government net lending/borrowing by 5%	**44.86**	-
Decrease in Government net lending/borrowing by 5%	**(44.62)**	-
Increase in Brent Oil Price by 5%	**(678.82)**	-
Decrease in Brent Oil Price by 5%	**702.42**	-
Scenario weightages:		
Base scenario increase by 5% with corresponding change in downside	**(667)**	(58)
Base scenario decrease by 5% with corresponding change in downside	**667**	58
Base scenario increase by 5% with corresponding change in upside	**383**	(21)

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance

Below tables provide the details of gross exposures and loss allowance for corporate, High Net Worth individuals (HNWI) and retail segments.

Gross exposure - 2024	**Corporate**	**HNWI**	**Retail**	**Total**
Net investment in Murabaha receivables	**2,015,783**	**162,734**	**839,254**	**3,017,771**
Net investment in Ijara receivables	**359,659**	**208,124**	**705,477**	**1,273,260**
Net investment in Ijara mawsofa fi Athemmah receivables	**-**	**-**	**90,523**	**90,523**
	2,375,442	**370,858**	**1,635,254**	**4,381,554**

Gross exposure - 2023	**Corporate**	**HNWI**	**Retail**	**Total**
Net investment in Murabaha receivables	1,423,792	230,555	225,575	1,879,922
Net investment in Ijara receivables	553,524	450,262	792,301	1,796,087
Net investment in Ijara mawsofa fi Athemmah receivables	-	-	97,409	97,409
	1,977,316	680,817	1,115,285	3,773,418

Loss allowance – 2024	**Corporate**	**HNWI**	**Retail**	**Total**
Net investment in Murabaha receivables	**(8,474)**	**(217)**	**(26,349)**	**(35,040)**
Net investment in Ijara receivables	**(15,055)**	**(6,014)**	**(3,157)**	**(24,226)**
Net investment in Ijara mawsofa fi athemmah receivables	**-**	**-**	**(88)**	**(88)**
	(23,529)	**(6,231)**	**(29,594)**	**(59,354)**

Loss allowance – 2023	**Corporate**	**HNWI**	**Retail**	**Total**
Net investment in Murabaha receivables	(6,245)	(1,427)	(4,067)	(11,739)
Net investment in Ijara receivables	(13,439)	(9,423)	(4,896)	(27,758)
Net investment in Ijara mawsofa fi athemmah receivables	-	-	(240)	(240)
	(19,684)	(10,850)	(9,203)	(39,737)

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

The following table shows reconciliations from the opening to the closing balance of the gross receivables and loss allowance based on customer categories for the year ended 31 December 2024.

GROSS EXPOSURE - CORPORATE	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	1,581,507	304,801	91,008	1,977,316
Transfer from 12 Month ECL	(92,024)	87,285	4,739	-
Transfer from Lifetime ECL (not credit impaired)	33,231	(33,231)	-	-
Transfer from Lifetime ECL (credit impaired)	-	2,710	(2,710)	-
Net repayments and other movements during the year	(531,341)	(152,014)	6,330	(677,025)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	1,076,792	-	-	1,076,792
Write-offs	-	-	(1,641)	(1,641)
Balance at 31 December, 2024	2,068,165	209,551	97,726	2,375,442

LOSS ALLOWANCE - CORPORATE	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	6,275	1,665	11,744	19,684
Transfer from 12 Month ECL	(706)	586	120	-
Transfer from Lifetime ECL (not credit impaired)	123	(123)	-	-
Transfer from Lifetime ECL (credit impaired)	-	209	(209)	-
Net re-measurement of loss allowance	(3,866)	(336)	6,742	2,540
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	(849)	(557)	(1,002)	(2,408)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	3,905	-	-	3,905
Write-offs	-	-	(192)	(192)
Balance at 31 December, 2024	4,882	1,444	17,203	23,529

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

GROSS EXPOSURE - HIGH NET WORTH INDIVIDUALS	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	466,703	151,929	62,185	680,817
Transfer from 12 Month ECL	(1,097)	1,097	-	-
Transfer from Lifetime ECL (not credit impaired)	6,710	(17,964)	11,254	-
Transfer from Lifetime ECL (credit impaired)	3,635	1,320	(4,955)	-
Net repayments and other movements during the year	(224,052)	(65,801)	(19,208)	(309,061)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	-	-	-	-
Write-offs	-	-	(898)	(898)
Balance at 31 December, 2024	251,899	70,581	48,378	370,858

LOSS ALLOWANCE - HIGH NET WORTH INDIVIDUALS	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	1,226	1,772	7,852	10,850
Transfer from 12 Month ECL	(2)	2	-	-
Transfer from Lifetime ECL (not credit impaired)	35	(178)	143	-
Transfer from Lifetime ECL (credit impaired)	398	145	(543)	-
Net re-measurement of loss allowance	(1,044)	(184)	(175)	(1,403)
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	(243)	(1,352)	(1,568)	(3,163)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	-	-	-	-
Write-offs	-	-	(53)	(53)
Balance at 31 December, 2024	370	205	5,656	6,231

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

GROSS EXPOSURE – RETAIL	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	**1,037,306**	**42,120**	**35,859**	**1,115,285**
Transfer from 12 Month ECL	**(59,410)**	**42,368**	**17,042**	**-**
Transfer from Lifetime ECL (not credit impaired)	**7,331**	**(18,423)**	**11,092**	**-**
Transfer from Lifetime ECL (credit impaired)	**2,986**	**-**	**(2,986)**	**-**
Net repayments and other movements during the year	**(328,557)**	**38,218**	**18,557**	**(271,782)**
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	**798,080**	**-**	**-**	**798,080**
Write-offs	**-**	**-**	**(6,329)**	**(6,329)**
Balance at 31 December, 2024	**1,457,736**	**104,283**	**73,235**	**1,635,254**

LOSS ALLOWANCE - RETAIL	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2024	**3,417**	**355**	**5,431**	**9,203**
Transfer from 12 Month ECL	**(592)**	**362**	**230**	**-**
Transfer from Lifetime ECL (not credit impaired)	**9**	**(257)**	**248**	**-**
Transfer from Lifetime ECL (credit impaired)	**197**	**-**	**(197)**	**-**
Net re-measurement of loss allowance	**(8,796)**	**1,079**	**14,894**	**7,177**
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	**(389)**	**(20)**	**(40)**	**(449)**
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	**14,809**	**-**	**-**	**14,809**
Write-offs	**-**	**-**	**(1,146)**	**(1,146)**
Balance at 31 December, 2024	**8,655**	**1,519**	**19,420**	**29,594**

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

The following table shows reconciliations from the opening to the closing balance of the gross receivables and loss allowance based on customer categories for the year ended 31 December 2023.

GROSS EXPOSURE - CORPORATE	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	670,590	518,958	121,440	1,310,988
Transfer from 12 Month ECL	(11,284)	11,284	-	-
Transfer from Lifetime ECL (not credit impaired)	55,469	(55,469)	-	-
Transfer from Lifetime ECL (credit impaired)	1,648	-	(1,648)	-
Net repayments and other movements during the year	(63,175)	(169,972)	9,723	(223,424)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	928,156	-	-	928,156
Write-offs	-	-	(38,404)	(38,404)
Balance at 31 December, 2023	1,581,404	304,801	91,111	1,977,316

LOSS ALLOWANCE - CORPORATE	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	1	3,106	48,406	51,513
Transfer from 12 Month ECL	-	-	-	-
Transfer from Lifetime ECL (not credit impaired)	94	(94)	-	-
Transfer from Lifetime ECL (credit impaired)	165	-	(165)	-
Net re-measurement of loss allowance	1,489	(999)	(26,419)	(25,929)
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	-	(388)	-	(388)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	4,526	40	-	4,566
Write-offs	-	-	(10,078)	(10,078)
Balance at 31 December, 2023	6,275	1,665	11,744	19,684

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

GROSS EXPOSURE - HIGH NET WORTH INDIVIDUALS	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	824,429	172,227	79,485	1,076,141
Transfer from 12 Month ECL	-	-	-	-
Transfer from Lifetime ECL (not credit impaired)	1,844	(8,952)	7,108	-
Transfer from Lifetime ECL (credit impaired)	-	-	-	-
Net repayments and other movements during the year	(367,570)	(11,346)	(14,893)	(393,809)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	8,000	-	-	8,000
Write-offs	-	-	(9,515)	(9,515)
Balance at 31 December, 2023	466,703	151,929	62,185	680,817

LOSS ALLOWANCE - HIGH NET WORTH INDIVIDUALS	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	5	1,162	17,311	18,478
Transfer from 12 Month ECL	-	-	-	-
Transfer from Lifetime ECL (not credit impaired)	2	(148)	146	-
Transfer from Lifetime ECL (credit impaired)	-	-	-	-
Net re-measurement of loss allowance	1,197	882	(4,737)	(2,658)
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	-	(124)	(868)	(992)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	22	-	-	22
Write-offs	-	-	(4,000)	(4,000)
Balance at 31 December, 2023	1,226	1,772	7,852	10,850

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

c) Gross receivables and loss allowance (continued)

GROSS EXPOSURE – RETAIL	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	923,383	26,160	22,198	971,741
Transfer from 12 Month ECL	(28,380)	16,810	11,570	-
Transfer from Lifetime ECL (not credit impaired)	8,153	(11,063)	2,910	-
Transfer from Lifetime ECL (credit impaired)	2,044	640	(2,684)	-
Net repayments and other movements during the year	(140,393)	9,573	4,192	(126,628)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	272,499	-	-	272,499
Write-offs	-	-	(2,327)	(2,327)
Balance at 31 December, 2023	1,037,306	42,120	35,859	1,115,285

LOSS ALLOWANCE - RETAIL	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2023	302	808	4,519	5,629
Transfer from 12 Month ECL	(11)	10	1	-
Transfer from Lifetime ECL (not credit impaired)	170	(321)	151	-
Transfer from Lifetime ECL (credit impaired)	102	32	(134)	-
Net re-measurement of loss allowance	58	(395)	1,008	671
Murabaha, Ijara, Ijara mawsofa fi athemmah receivables that have been derecognized during the year	(18)	(40)	(22)	(80)
New Murabaha, Ijara, Ijara mawsofa fi athemmah receivables originated during the year	2,814	261	960	4,035
Write-offs	-	-	(1,052)	(1,052)
Balance at 31 December, 2023	3,417	355	5,431	9,203

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25 FINANCIAL RISK MANAGEMENT (continued)

1) Credit risk (continued)

d) Collateral

The Group in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the Murabaha, Ijara, Ijara mawsofa fi athemmah receivables. These collaterals mostly include real estate property. Collaterals are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

2) Market rate risk

a) Profit rate risk

Profit rate risk is the uncertainty of future earnings resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such rate risk is the Group's borrowings and financing activities, where fluctuations in profit rates, if any, are reflected in the results of operations.

The following table depicts the sensitivity to a reasonable possible change in profit rates, with other variables held constant, on the Group's consolidated statement of profit or loss. The sensitivity of the income is the effect of the assumed changes in profit rates on the net commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at year-end. All the exposures are monitored and analysed in major currency concentrations and relevant sensitivities are disclosed in SR thousands.

2024		2023	
Change in basis points	**Impact on net income**	Change in basis points	Impact on net income
Sensitivity – Financing			
+100	**2,732**	+100	3,945
-100	**(2,732)**	-100	(3,945)
Sensitivity – Borrowings			
+100	**(17,758)**	+100	(16,973)
-100	**17,758**	-100	16,973

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The table below summarises the Group's exposure to profit rate risks. Included are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group is exposed to special profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Group manages this risk through diversification of funding resources and use of derivative financial instruments.

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25 FINANCIAL RISK MANAGEMENT (continued)

2) Market rate risk (continued)

a) Profit rate risk (continued)

The table below summarizes the Group's exposure to profit rate risks:

	Profit bearing					
31 December 2024	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-profit bearing**	**Total**
Assets						
Cash and cash equivalents	-	-	-	-	32,360	32,360
Investments	-	-	-	-	893	893
Positive fair value of derivatives	-	-	-	-	6,855	6,855
Murabaha receivables, net	217,119	517,601	2,068,099	179,912	-	2,982,731
Ijara receivables, net	155,566	184,101	446,113	463,254	-	1,249,034
Ijara mawsofa fi athemmah receivables, net	1,702	3,396	20,755	64,582	-	90,435
Other receivables	-	-	-	-	8,668	8,668
Total assets	374,387	705,098	2,534,967	707,748	48,776	4,370,976
Liabilities						
Other liabilities	-	-	-	-	90,616	90,616
Negative fair value of derivatives	-	-	-	-	3,723	3,723
Borrowings	244,048	808,280	2,123,078	-	-	3,175,406
Lease liability	-	-	-	-	16,371	16,371
Total liabilities	244,048	808,280	2,123,078	-	110,710	3,286,116
Gap	130,339	(103,182)	411,889	707,748	(61,934)	1,084,860
Cumulative Gap	130,339	27,157	439,046	1,146,794	1,084,860	-

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25 FINANCIAL RISK MANAGEMENT (continued)

2) Market rate risk (continued)

a) Profit rate risk (continued)

The table below summarizes the Group's exposure to profit rate risks:

	Profit bearing					
31 December 2023	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-profit bearing	Total
Assets						
Cash and cash equivalents	-	-	-	-	27,736	27,736
Investments	-	-	-	-	893	893
Positive fair value of derivatives	-	-	-	-	14,327	14,327
Murabaha receivables, net	94,456	210,838	1,360,953	201,936	-	1,868,183
Ijara receivables, net	171,501	224,768	804,350	567,710	-	1,768,329
Ijara mawsofa fi athemmah receivables, net	1,546	3,388	20,334	71,901	-	97,169
Other receivables	-	-	-	-	11,861	11,861
Total assets	267,503	438,994	2,185,637	841,547	54,817	3,788,498
Liabilities						
Other liabilities	-	-	-	-	75,596	75,596
Negative fair value of derivatives	-	-	-	-	4,493	4,493
Borrowings	149,405	554,823	1,895,842	-	-	2,600,070
Lease liability	-	-	-	-	19,842	19,842
Total liabilities	149,405	554,823	1,895,842	-	99,931	2,700,001
Gap	118,098	(115,829)	289,795	841,547	(45,114)	1,088,497
Cumulative Gap	118,126	2,269	292,064	1,133,611	1,088,497	-

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25 FINANCIAL RISK MANAGEMENT (continued)

2) Market rate risk (continued)

b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. US Dollars is pegged with Saudi Riyals; therefore, Group does not have any currency risk in these transactions.

3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

i. Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at year ends based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

		Fixed maturity				**Total**
2024	**On demand**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	
Other liabilities	**-**	**17,903**	**30,120**	**7,713**	**-**	**55,736**
Employee benefits	**-**	**974**	**2,922**	**15,582**	**-**	**19,478**
Lease liabilities	**-**	**3,388**	**1,236**	**12,718**	**-**	**17,342**
Borrowings	**-**	**279,597**	**880,811**	**2,650,736**	**-**	**3,811,144**
Total	**-**	**301,862**	**915,089**	**2,686,749**	**-**	**3,903,700**

		Fixed maturity				Total
2023	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Other liabilities	-	17,639	20,163	5,518	-	43,320
Employee benefits	-	894	2,681	14,299	-	17,874
Lease liabilities	-	3,113	1,758	14,317	3,025	22,213
Borrowings	-	54,030	170,753	3,021,477	-	3,246,260
Total	-	75,676	195,355	3,055,611	3,025	3,329,667

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25 FINANCIAL RISK MANAGEMENT (continued)

3) Liquidity risk (continued)

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

	Fixed maturity				No fixed maturity	Total
2024	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**		
Assets						
Cash and cash equivalents	-	-	-	-	32,360	32,360
Investments	-	-	-	-	893	893
Positive fair value of derivatives	3,458	2,667	730	-	-	6,855
Murabaha receivables, net	217,119	517,601	2,068,099	179,912	-	2,982,731
Ijara receivables, net	155,566	184,101	446,113	463,254	-	1,249,034
Ijara mawsofa fi athemmah receivables, net	1,702	3,396	20,755	64,582	-	90,435
Prepayments and other assets	18,306	43,182	21,229	(344)	-	82,373
Property and equipment	4,436	13,307	49,787	-	-	67,530
Total assets	**400,587**	**764,254**	**2,606,713**	**707,404**	**33,253**	**4,512,211**
Liabilities						
Account payables and other liabilities	27,039	30,638	19,112	-	-	76,789
Negative fair value of derivatives	257	770	2,696	-	-	3,723
Zakat and income tax payable	-	12,096	-	-	-	12,096
Borrowings	244,048	808,280	2,123,078	-	-	3,175,406
Employees benefits	974	2,922	15,582	-	-	19,478
Total liabilities	**272,318**	**854,706**	**2,160,468**	**-**	**-**	**3,287,492**

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25 FINANCIAL RISK MANAGEMENT (continued)

3) Liquidity risk (continued)

ii. The table below shows an analysis of all assets and liabilities, analysed according to when they are expected to be recovered or settled. (continued)

	Fixed maturity				No fixed maturity	Total
2023	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	-	-	-	-	27,736	27,736
Investments	-	-	-	-	893	893
Positive fair value of derivatives	3,345	10,036	946	-	-	14,327
Murabaha receivables, net	94,456	210,838	1,360,953	201,936	-	1,868,183
Ijara receivables, net	171,501	224,768	804,350	567,710	-	1,768,329
Ijara mawsofa fi athemmah receivables, net	1,546	3,388	20,334	71,901	-	97,169
Prepayments and other assets	12,481	29,239	14,770	(959)		55,531
Property and equipment	2,911	8,733	40,807	1,004	-	53,455
Total assets	286,240	487,002	2,242,160	841,592	28,629	3,885,623
Liabilities						
Account payables and other liabilities	20,542	29,953	19,260	-	-	69,755
Negative fair value of derivatives	416	1,249	2,828	-	-	4,493
Zakat and income tax payable	-	7,809	-	-	-	7,809
Borrowings	149,405	554,823	1,895,842	-	-	2,600,070
Employees benefits	894	2,681	14,299	-	-	17,874
Total liabilities	171,257	596,515	1,932,229	-	-	2,700,001

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 Company. Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments, derivatives, Murabaha, Ijara and Ijara mawsofa fi athemmah receivables and other receivables. Financial liabilities consist of borrowings, payables and derivatives.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

		Fair value			
2024	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at amortised cost:					
Murabaha receivables, net	**2,982,731**	-	-	**3,056,261**	**3,056,261**
Ijara receivables, net	**1,249,034**	-	-	**1,048,588**	**1,048,588**
Ijara mawsofa fi athemmah receivables, net	**90,435**	-	-	**74,725**	**74,725**
Cash and cash equivalents	**32,360**	-	-	**32,360**	**32,360**
Other receivables	**8,668**	-	-	**8,668**	**8,668**
Financial assets at fair value:					
Investments	**893**	-	**893**	-	**893**
Positive fair value of derivatives	**6,855**	-	**6,855**	-	**6,855**
Financial liabilities at fair value					
Negative fair value of derivatives	**3,723**	-	**3,723**	-	**3,723**

		Fair value			
2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:					
Murabaha receivables, net	1,868,183	-	-	1,881,765	1,881,765
Ijara receivables, net	1,768,329	-	-	1,526,726	1,526,726
Ijara mawsofa fi athemmah receivables, net	97,169	-	-	81,726	81,726
Cash and cash equivalents	27,736	-	-	27,736	27,736
Other receivables	11,861	-	-	11,861	11,861
Financial assets at fair value:					
Investments	893	-	893	-	893
Positive fair value of derivatives	14,327	-	14,327	-	14,327
Financial liabilities at fair value					
Negative fair value of derivatives	4,493	-	4,493	-	4,493

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The valuation of fixed rate Murabaha receivables, Ijara receivables and Ijara Mowsofa Fi Athemmah receivables are estimated using contractual cash flows discounted at latest yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow technique includes recent yields and contractual cash flows. Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities or re-pricing of the special commission on those instruments and these financial instruments are classified as level 3. There have been no transfers to and from any levels during the year.

27 COMMITMENTS AND CONTINGENCIES

Financing facilities approved but not utilised:

The Group has facilities approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR 90 million (31 December 2023: SR 100 million).

28 SEGMENT INFORMATION

The Group objective is to provide real estate financing, SMEs financing and personal financing in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income belongs to the real estate financing segment.

For management purposes, the Group is organised into the following primary business segments:

Retail

These represent finance products granted to small and medium sized businesses under self- employed category and individuals.

Corporate

These represent financing products granted to corporate, SMEs, high net worth individuals and institutional customers.

Head office

Head office is responsible for managing the surplus liquidity of the Group through short term market placements. It also provides support services to the business functions.

The total assets and liabilities as at 31 December 2024 and 31 December 2023 and its total operating income, expenses and net profit for period ended 31 December 2024 and 31 December 2023 are as follows:

	Retail	Corporate	Head office	Total
2024				
Income	**193,925**	**259,454**	-	**453,379**
Expenses	**(179,506)**	**(215,240)**	-	**(394,746)**
Segment profit	**14,419**	**44,214**	-	**58,633**
Total assets	**1,636,262**	**2,769,204**	**106,745**	**4,512,211**
Total liabilities	**1,208,833**	**2,045,180**	**33,479**	**3,287,492**
2023				
Income	99,591	218,723	-	318,314
Expenses	(87,818)	(191,544)	-	(279,362)
Segment profit	11,773	27,179	-	38,952
Total assets	1,126,774	2,677,658	81,191	3,885,623
Total liabilities	791,785	1,880,981	27,235	2,700,001

(SR '000)

28 SEGMENT INFORMATION (continued)

Head office (continued)

Below is the reconciliation of revenue and expenses from the consolidated financial statements to operating segment note:

	For the year ended 31 December	
	2024	2023
Income		
Total income from Murabaha, Ijara and Ijara mawsofa fi athemmah	**452,266**	313,160
Other income	**1,113**	5,154
Total income – as per operating segment note.	**453,379**	318,314
Expenses		
Fee expenses	**(10,690)**	(1,402)
Finance cost	**(198,227)**	(136,108)
Depreciation	**(12,910)**	(9,896)
General and administrative expenses	**(121,793)**	(103,775)
Selling and marketing expenses	**(22,641)**	(13,818)
Impairment charge for credit losses, net	**(28,485)**	(14,363)
Total expense – as per operating segment note.	**(394,746)**	(279,362)

29 SUBSEQUENT EVENTS

There were no subsequent events after the consolidated statement of financial position date which require adjustments to / or disclosure in the consolidated financial statements.

30 APPROVALS OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 13 Shaaban 1446H (corresponding to 12 February 2025).