

SAUDI REAL ESTATE REFINANCE COMPANY

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

together with the

INDEPENDENT AUDITOR'S REPORT

KPMG Professional Services Company
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholder of Saudi Real Estate Refinance Company

Opinion

We have audited the financial statements of **Saudi Real Estate Refinance Company** ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the 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").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the applicable requirements of the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG Professional Services Company, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR100,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية، شركة مساهمة مهنية مقفلة مسجلة في المملكة العربية السعودية، رأس مالها (١٠٠،٠٠٠،٠٠٠) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية خاصة محدودة بالضمان

Independent Auditor's Report

To the Shareholder of Saudi Real Estate Refinance Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

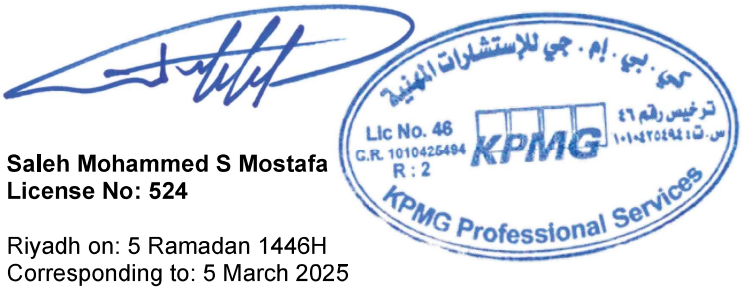
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of **Saudi Real Estate Refinance Company** ("the Company").

KPMG Professional Services Company



Saleh Mohammed S Mostafa
License No: 524

Riyadh on: 5 Ramadan 1446H
Corresponding to: 5 March 2025

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(Amounts in SAR '000)

	Notes	**31 December 2024**	31 December 2023
ASSETS			
Cash and cash equivalents	*4*	**162,660**	210,133
Due from banks and other financial institutions, net	*5*	**1,307,837**	2,677,165
Murabaha receivables, net	*6*	**19,701,074**	20,188,097
Ijara receivables, net	*7*	**9,152,849**	7,883,100
Prepayments and other assets	*8*	**14,563**	19,870
Investment in an associate, net	*9*	**4,638**	10,813
Property, equipment and right-of-use assets, net	*10*	**19,558**	18,943
Intangible assets, net	*11*	**10,361**	10,381
Total assets		**30,373,540**	31,018,502
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	*12*	**3,456,323**	4,669,658
Debt securities issued	*13*	**20,187,924**	20,687,647
Accrued expenses and other liabilities	*14*	**1,160,453**	300,733
Total liabilities		**24,804,700**	25,658,038
Equity			
Share capital	*15*	**5,000,000**	5,000,000
Additional share capital	*24e*	**-**	13,000
Retained earnings		**532,933**	312,186
Statutory reserve	*16*	**34,687**	34,687
Other reserve		**1,220**	591
Total equity		**5,568,840**	5,360,464
Total liabilities and equity		**30,373,540**	31,018,502

The accompanying notes 1 to 32 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024
(Amounts in SAR '000)

	Notes	**2024**	2023
Special commission income	*19*	**1,593,957**	1,392,002
Special commission expense	*20*	**(1,013,127)**	(871,108)
Net special commission income		**580,830**	520,894
OPERATING EXPENSES			
Servicing fee	*21*	**(173,622)**	(184,604)
Salaries and employee related expenses		**(111,289)**	(111,320)
Depreciation and amortization	*10 & 11*	**(10,510)**	(9,009)
Other general and administrative expenses	*22*	**(56,392)**	(47,704)
Total operating expenses before impairment charge		**(351,813)**	(352,637)
Impairment charge for expected credit losses, net	*23*	**(8,595)**	(15,533)
Total operating expenses		**(360,408)**	(368,170)
Net operating income		**220,422**	152,724
Share of loss and impairment in an associate	*9*	**(6,175)**	(6,832)
Net profit for the year		**214,247**	145,892
Basic and diluted earnings per share	*29*	**0.43**	0.29

The accompanying notes 1 to 32 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024
(Amounts in SAR '000)

	Note	**2024**	2023
Net profit for the year		**214,247**	145,892
Other comprehensive income			
Item that will not be reclassified to statement of profit or loss in subsequent periods:			
Actuarial gain on defined benefit plan	*18*	**629**	213
Total comprehensive income for the year		**214,876**	146,105

The accompanying notes 1 to 32 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024
(Amounts in SAR '000)

	Notes	**Share capital**	**Additional capital**	**Retained earnings**	**Statutory reserve**	**Other reserve**	**Total**
2024							
Balance at the beginning of the year		**5,000,000**	**13,000**	**312,186**	**34,687**	**591**	**5,360,464**
Net profit for the year		**-**	**-**	**214,247**	**-**	**-**	**214,247**
Remeasurement actuarial gain on defined benefit plan	*18b*	**-**	**-**	**-**	**-**	**629**	**629**
Total comprehensive income for the year		**-**	**-**	**214,247**	**-**	**629**	**214,876**
Reversal adjustment related to additional capital contribution	*24e*	**-**	**(13,000)**	**6,500**	**-**	**-**	**(6,500)**
Balance at the end of the year		**5,000,000**	**-**	**532,933**	**34,687**	**1,220**	**5,568,840**
2023							
Balance at the beginning of the year		5,000,000	-	180,883	20,098	378	5,201,359
Net profit for the year		-	-	145,892	-	-	145,892
Remeasurement actuarial gain on defined benefit plan	*18b*	-	-	-	-	213	213
Total comprehensive income for the year		-	-	145,892	-	213	146,105
Transfer to statutory reserve		-	-	(14,589)	14,589	-	-
Additional capital contribution	*24e*	-	13,000	-	-	-	13,000
Balance at the end of the year		5,000,000	13,000	312,186	34,687	591	5,360,464

The accompanying notes 1 to 32 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2024
(Amounts in SAR '000)

	Notes	**2024**	2023
Cash flows from operating activities:			
Net profit for the year		**214,247**	145,892
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Amortization of premium and accretion of discount on Ijara and Murabaha receivables		**(178,769)**	(211,143)
Depreciation of property, equipment and right-of-use assets	*10*	**7,295**	6,207
Amortization of intangible assets	*11*	**3,215**	2,802
Loss on disposal of property and equipment		**71**	-
Special commission expense	*20*	**1,013,127**	871,108
Impairment charge for expected credit losses, net	*23*	**8,595**	15,533
Provision of end of service benefit obligations	*18*	**2,920**	2,699
Share of loss and impairment in an associate	*9*	**6,175**	6,832
		1,076,876	839,930
Net changes in operating assets and liabilities:			
Due from banks and other financial institutions		**1,369,458**	(2,677,433)
Murabaha receivables		**690,490**	(6,940,807)
Ijara receivables		**(1,295,859)**	(2,478,336)
Prepayments and other assets		**(1,193)**	2,716
Accrued expenses and other liabilities		**838,454**	(329,362)
Net cash generated from / (used in) operating activities before EOSB paid		**2,678,226**	(11,583,292)
End of service benefit paid	*18*	**(2,330)**	(373)
Net cash generated from / (used in) operating activities		**2,675,896**	(11,583,665)
Cash flows from investing activities:			
Acquisition of property and equipment	*10*	**(8,279)**	(2,710)
Acquisition of intangible assets	*11*	**(3,195)**	(7,173)
Proceed from sale of property and equipment		**298**	-
Net cash used in investing activities		**(11,176)**	(9,883)
Cash flows from financing activities:			
Proceeds from issuance of debt securities, net		**-**	6,983,807
Repayment of debt securities		**(500,000)**	(150,000)
Proceeds from short-term borrowings		**27,922,000**	45,090,000
Repayment of short-term borrowings		**(29,130,000)**	(41,630,000)
Repayment of SAMA deposit		**-**	(185,108)
Special commission paid		**(1,004,193)**	(800,748)
Net cash (used in) / generated from financing activities		**(2,712,193)**	9,307,951
Net decrease in cash and cash equivalents		**(47,473)**	(2,285,597)
Cash and cash equivalents at the beginning of the year	*4*	**210,133**	2,495,730
Cash and cash equivalents at the end of the year	*4*	**162,660**	210,133
Special comission income received		**1,246,413**	1,162,443

The accompanying notes 1 to 32 form an integral part of these financial statements.

1. THE COMPANY AND THE NATURE OF OPERATIONS

Saudi Real Estate Refinance Company (the "Company" or "SRC") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration ("CR") No.1010469391 issued in Riyadh on 28 Jumada II 1438H (corresponding to 27 March 2017). The Company was granted a full license by Saudi Central Bank ("SAMA") to operate as a mortgage finance company with license number 201709/ع ش/48 dated 1 Muharram 1439H (corresponding to 21 September 2017).

The objective of the Company is to develop the housing finance market in the Kingdom of Saudi Arabia by enabling the financial institutions to offer long-term and short-term financing solutions to home buyers.

The registered office of the Company is as follows:

Saudi Real Estate Refinance Company
1st Floor, Unit N7, Riyadh Front Compound
9435- King Khaled International Airport
Riyadh 13413 - 3734
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared:

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

b) Basis of measurement

These financial statements are prepared on a going concern basis under the historical cost convention except for the employees' end of service benefits which are measured at present value of future obligations using the Projected Unit Credit Method. The statement of financial position is stated broadly in order of liquidity.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Company's functional currency. Except as otherwise indicated, financial information presented in SAR are rounded to the nearest thousand.

d) Critical accounting judgements, estimates and assumptions

The preparation of 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 Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses.

Revisions to accounting estimates are recognized 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 judgements, estimates and assumptions are as follows:

- Impairment losses on financial assets (Note 23)
- Fair value measurement (Note 26)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

a) Change in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2023. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2024 replacing, amending or adding to the corresponding accounting policies set out in 2023 annual financial statements.

New standards, interpretations and amendments adopted by the Company

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the year unless otherwise stated below:

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 and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	Subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Subject to endorsement from SOCPA

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2025. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: 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

b) Financial Instruments

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 Amortized Cost

A 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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

- 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 Other Comprehensive Income (OCI). Commission income and foreign exchange gains and losses are recognised in the statement of profit or loss.

Equity Instrument: On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an instrument-by-instrument basis.

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company 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 after the Company changes its business model for managing financial assets.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company'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 Company'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 Company's original expectations, the Company 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.

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

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending 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 interest, the Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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

Classification of financial liabilities

The Company measures its financial liabilities at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs, which form an integral part of the effective profit rate.

Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

In transactions in which the Company 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 Company 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.

Financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company 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 Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of 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 commission income.

Financial liabilities

The Company 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 the statement of profit or loss.

Impairment

The Company recognizes loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortized cost (Murabaha receivables and Ijara receivables); and
- loan commitments issued

The Company 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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

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

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 Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn loan commitments: as the present value of the differences between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive;

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

Credit-impaired financial assets

At each reporting date, the Company 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 an Ijara or Murabaha receivable by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

An Ijara and Murabaha receivable 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, an Ijara and Murabaha receivable that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost (Murabha and Ijarah receivable): as a deduction from the gross carrying amount of the assets;
- loan commitments : generally, as a provision in other liabilities;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of profit or loss and changes between the amortized cost of the assets and their fair value are recognized in OCI.

Write-off

Financial assets 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 Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Collateral Valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Company's statement of financial position.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral Repossessed

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

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

c) Loan Commitments

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

Commitments to provide a loan at a below-market profit rate are initially measured at fair value and the initial fair value is amortized over the life of the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of loss allowance. The Company has issued no loan commitments that are measured at FVTPL.

d) Other Real Estate

The Company, in the ordinary course of business, acquires / retains certain real estate against settlement of the loans and receivables. Such real estate are considered as assets held for sale and are initially stated at the lower of net realizable value of the investment in finance lease and the current fair value of the related properties, less any costs to sell (if material). No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value less costs to sell, are charged to the statement of profit or loss. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of profit or loss. Gains or losses on disposal of these properties are recognised in the statement of profit or loss.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, cash with banks and other financial institutions in current and saving accounts with original maturity of 90 days or less.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

f) Murabaha receivables

The Company enters into Murabaha financing arrangements with customers and records it as Murabaha receivables in the statement of financial position. Murabaha receivables are measured at amortised cost.

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company 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. Gross amounts due under the Murabaha sale contracts include the total of future sale payments on the Murabaha agreement (Murabaha sale contract receivable). 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 receivables.

g) 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.

h) Investments in associates

Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Company holds and / or has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments. The Company's share of its associates' post-acquisition profits or losses are recognized in the statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables (if applicable), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Company's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Company's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Company's share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of income.

i) Intangible assets

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs that are directly associated with identifiable software product controlled by the Company and have probable economic benefits beyond one year are recognized as intangible asset. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets is 3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period with the effect of any change in estimate accounted for on prospective basis.

Capital Work in Progress (CWIP) related to Intangible Assets refers to the costs incurred during the development or acquisition phase of an intangible asset that has not yet been completed or is not yet available for its intended use. CWIP for intangible assets includes:

- Costs incurred in developing software, or other intellectual property that are in progress.
- Research and development costs that meet capitalization criteria under the accounting standards.
- Acquisition-related costs for intangible assets under negotiation or in progress.

Capital Work in Progress is recognized as an asset when:

- The expenditure is directly attributable to the development or acquisition of an intangible asset that is in progress.
- The costs are incurred with the intention of creating an identifiable intangible asset that will eventually provide economic benefits.

Expenditures that meet these criteria are capitalized as CWIP. This includes development costs for internally generated intangible assets, as well as acquisition costs for intangible assets that are still under development or negotiation.

j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Freehold land is not depreciated.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold improvements	lower of lease period or 5-10 years
Office equipment and furniture	3 - 5
Computer hardware	5
Motor Vehicles	5

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.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of profit or loss.

Expenditure for repair and maintenance are charged to the statement of profit or loss. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Capital Work in Progress (CWIP) refers to expenditures incurred for assets under construction, development, or installation that have not yet been completed or are not yet in service. It includes the costs related to:

- Major refurbishments or improvements to existing assets.
- Acquisition of equipment not yet installed.
- Other capitalizable costs directly related to the refurbishments or installation of assets.

Capital Work in Progress have been recognized as an asset when:

- The costs are directly attributable to the acquisition of the Property and equipment.
- The asset is under construction, development, or installation and is not yet ready for its intended use.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

k) Trade and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

l) Provisions

Provisions other than impairment charges for credit losses are recognized when a reliable estimate can be made of a present legal or constructive obligation as a result of past events that is more likely than not to lead to an outflow of resources to settle the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

m) Accounting for leases

Right of Use Asset / Lease Liabilities

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

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Company apply cost model, and measure right of use asset at cost;

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

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

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by;

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective profit 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

Lease term and extension option:

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Company's operation.

n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation and as specifically disclosed in these accounting policies.

o) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on settlement date. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or market convention. For financial instruments held at fair value, the Company accounts for any change in fair values between the trade date and the settlement date.

A contract that requires or permits net settlement of the change in the value of the contract is not a regular way contract. Instead, such a contract is accounted for as a derivative in the period between the trade date and the settlement date.

p) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in statement of profit or loss using the effective profit 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 to or the amortized cost of the financial instrument.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Company 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 fees and points paid or received 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.

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 method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

In calculating special commission income and expenses, 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, special commission income is calculated by applying the effective profit rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit income reverts to the gross basis.

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

Commission income on bank deposits and non utilization fee is recorded on an accrual basis.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

q) Expenses

The Company follows accrual basis of accounting to record the expenses and recognized as expenses in the period in which they are incurred.

r) End of service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

s) Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Arabian Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of financial position date. All differences are taken to the statement of profit or loss. Gains or losses on foreign currency transactions are included in the statement of profit or loss during the period.

4. CASH AND CASH EQUIVALENTS

	Note	**31 December 2024**	31 December 2023
Cash in hand		**4**	7
Cash at bank:			
- Current accounts		**5,286**	16,709
- Call deposits	*4.1*	**157,370**	193,417
		162,660	210,133

4.1 This represents deposits with local banks and carry an average yield of 4.6% per annum (31 December 2023: 5.5% per annum).

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	Notes	**31 December 2024**	31 December 2023
Long-term deposits	*5.1*	**1,307,975**	2,677,433
Less: Allowance for expected credit losses	*5.2*	**(138)**	(268)
		1,307,837	2,677,165

5.1 These represent the long-term deposits placed with local commercial banks which have maturity period of 5 years and carrying profit rates ranging from 5.4% to 5.95% per annum (31 December 2023: 5.5% per annum). As at 31 December 2024, the balance includes accrued special commission income of SAR 7.9 million (31 December 2023: SAR 2.4 million).

5.2 These balances are held with local banks that has a Fitch's credit rating of A-, which align with the globally recognised definition of investment grade. As of 31 December 2024, these balances are neither past due nor credit impaired. During the year, there was no transfer of balance between stages.

6. MURABAHA RECEIVABLES, NET

	31 December 2024		
	Retail	**Corporate**	**Total**
Performing	**12,274,974**	**7,395,442**	**19,670,416**
Non-performing	**37,491**	**-**	**37,491**
Gross Murabaha receivables	**12,312,465**	**7,395,442**	**19,707,907**
Less: Allowance for expected credit losses	**(5,943)**	**(890)**	**(6,833)**
Murabaha receivables, net	**12,306,522**	**7,394,552**	**19,701,074**

	31 December 2023		
	Retail	Corporate	Total
Performing	12,524,342	7,648,090	20,172,432
Non-performing	25,741	-	25,741
Gross Murabaha receivables	12,550,083	7,648,090	20,198,173
Less: Allowance for expected credit losses	(8,906)	(1,170)	(10,076)
Murabaha receivables, net	12,541,177	7,646,920	20,188,097

6.1 During the year, the Company purchased retail Murabha receivables portfolios from certain local banks and financing companies amounting to SAR 908 million (31 December 2023: SAR 8,168 million).

The corporate Murabaha receivables includes a net exposure of SAR 5,954 million (2023: SAR 6,255 million) with Real Estate Development Fund (REDF) under the recourse arrangement for underlying retail mortgage portfolio.

6.2 The following table further explains changes in gross carrying amount:

	31 December 2024			
Murabaha receivables	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2024	**20,104,775**	**67,657**	**25,741**	**20,198,173**
Transfer to 12 month ECL	**99,468**	**(98,173)**	**(1,295)**	**-**
Transfer to lifetime ECL not credit impaired	**(118,841)**	**133,863**	**(15,022)**	**-**
Transfer to lifetime ECL credit impaired	**(4,947)**	**(24,705)**	**29,652**	**-**
New purchased	**4,722,845**	**-**	**-**	**4,722,845**
Write off	**(911)**	**-**	**(377)**	**(1,288)**
Changes in exposures	**(5,195,205)**	**(15,410)**	**(1,208)**	**(5,211,823)**
Balance as at 31 December 2024	**19,607,184**	**63,232**	**37,491**	**19,707,907**

	31 December 2023			
Murabaha receivables	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2023	12,978,986	45,172	7,475	13,031,633
Transfer to 12 month ECL	21,536	(20,510)	(1,026)	-
Transfer to lifetime ECL not credit impaired	(52,435)	52,435	-	-
Transfer to lifetime ECL credit impaired	(16,295)	(3,737)	20,032	-
New purchased	7,670,083	-	-	7,670,083
Write off	-	-	(102)	(102)
Changes in exposures	(497,100)	(5,703)	(638)	(503,441)
Balance as at 31 December 2023	20,104,775	67,657	25,741	20,198,173

6. MURABAHA RECEIVABLES, NET (Continued)

6.3 The following table shows reconciliation of the allowance for expected credit losses on Murabaha receivables:

	31 December 2024			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2024	**5,544**	**1,185**	**3,347**	**10,076**
Transfer to 12 month ECL	**1,309**	**(1,125)**	**(184)**	**-**
Transfer to lifetime ECL not credit impaired	**(282)**	**1,840**	**(1,558)**	**-**
Transfer to lifetime ECL credit impaired	**(2)**	**(1,049)**	**1,051**	**-**
New purchased	**659**	**-**	**-**	**659**
Net charge for the year	**(5,084)**	**(216)**	**1,398**	**(3,902)**
Balance as at 31 December 2024	**2,144**	**635**	**4,054**	**6,833**

	31 December 2023			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2023	130	905	1,622	2,657
Transfer to 12 month ECL	39	(39)	-	-
Transfer to lifetime ECL not credit impaired	(1,018)	1,018	-	-
Transfer to lifetime ECL credit impaired	(2,153)	(425)	2,578	-
New purchased	3,860	-	-	3,860
Write off	-	-	(102)	(102)
Net charge for the year	4,686	(274)	(751)	3,661
Balance as at 31 December 2023	5,544	1,185	3,347	10,076

6.4 The credit quality of Murabaha receivables is as follows:

	31 December 2024		
	Retail	**Corporate**	**Total**
Neither past due nor impaired	**12,071,680**	**7,395,442**	**19,467,122**
Past due but not impaired:			
- 1 to 30 days	**140,062**	**-**	**140,062**
- 31 to 60 days	**37,440**	**-**	**37,440**
- 61 to 90 days	**25,792**	**-**	**25,792**
Impaired	**37,491**	**-**	**37,491**
Gross Murabaha receivables	**12,312,465**	**7,395,442**	**19,707,907**
Allowance for expected credit losses	**(5,943)**	**(890)**	**(6,833)**
Murabaha receivables, net	**12,306,522**	**7,394,552**	**19,701,074**

	31 December 2023		
	Retail	Corporate	Total
Neither past due nor impaired	12,235,532	7,648,090	19,883,622
Past due but not impaired:			
- 1 to 30 days	221,153	-	221,153
- 31 to 60 days	54,570	-	54,570
- 61 to 90 days	13,087	-	13,087
Impaired	25,741	-	25,741
Gross Murabaha receivables	12,550,083	7,648,090	20,198,173
Allowance for expected credit losses	(8,906)	(1,170)	(10,076)
Murabaha receivables, net	12,541,177	7,646,920	20,188,097

6. MURABAHA RECEIVABLES, NET (Continued)

6.5 These retail Murabaha receivables are secured against mortgage of Murabaha financed properties amounting to SAR 18,876 million (31 December 2023: SAR 18,002 million). Valuation technique used to determine the fair value of collateral included a combination of the cost and market approach based on Saudi Government real estate price index. The credit impaired assets are secured against the Murabaha financed property amounting to SAR 52.8 million (31 December 2023: SAR 34.2 million) which covers more than 100% of the outstanding exposure.

7. IJARA RECEIVABLES, NET

	31 December 2024	31 December 2023
Gross Ijara receivables	**13,803,078**	11,731,582
Less: Unearned income	**(4,626,149)**	(3,829,058)
Gross carrying amount	**9,176,929**	7,902,524
Less: Allowance for expected credit losses	**(24,080)**	(19,424)
Ijara receivables, net	**9,152,849**	7,883,100

7.1 During the year, the Company purchased Ijara receivables portfolios from certain local banks and financing companies amounting to SAR 2,010 million (31 December 2023: SAR 3,113 million).

Under the terms of the purchase, the Company acquired rights, titles, interest and benefits in the Ijara receivables portfolios. As a result, the associated risk and rewards together with the control is passed onto the Company.

7.2 The following table further explains changes in gross carrying amount:

	31 December 2024			
Ijara receivables	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2024	**7,690,288**	**107,019**	**105,217**	**7,902,524**
Transfer to 12 month ECL	**219,117**	**(217,493)**	**(1,624)**	**-**
Transfer to lifetime ECL not credit impaired	**(376,801)**	**391,446**	**(14,645)**	**-**
Transfer to lifetime ECL credit impaired	**(5,536)**	**(117,433)**	**122,969**	**-**
New purchased	**2,017,940**	**-**	**-**	**2,017,940**
Write off	**(3,287)**	**-**	**(4,193)**	**(7,480)**
Changes in exposures	**(712,962)**	**(8,867)**	**(14,226)**	**(736,055)**
Balance as at 31 December 2024	**8,828,759**	**154,672**	**193,498**	**9,176,929**

	31 December 2023			
Ijara receivables	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2023	5,267,398	94,447	76,934	5,438,779
Transfer to 12 month ECL	32,276	(24,993)	(7,283)	-
Transfer to lifetime ECL not credit impaired	(63,444)	65,315	(1,871)	-
Transfer to lifetime ECL credit impaired	(33,260)	(18,769)	52,029	-
New purchased	3,250,138	-	-	3,250,138
Write off	-	-	(3,643)	(3,643)
Changes in exposures	(762,820)	(8,981)	(10,949)	(782,750)
Balance as at 31 December 2023	7,690,288	107,019	105,217	7,902,524

7. IJARA RECEIVABLES, NET (Continued)

7.3 The following table shows reconciliation of the allowance for expected credit losses on Ijara receivables:

	31 December 2024			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at 1 January 2024	**3,206**	**3,152**	**13,066**	**19,424**
Transfer to 12 month ECL	**4,027**	**(3,626)**	**(401)**	**-**
Transfer to lifetime ECL not credit impaired	**(936)**	**2,622**	**(1,686)**	**-**
Transfer to lifetime ECL credit impaired	**(2)**	**(5,150)**	**5,152**	**-**
New purchased	**2,314**	**-**	**-**	**2,314**
Net charge for the year	**(6,737)**	**4,892**	**4,187**	**2,342**
Balance as at 31 December 2024	**1,872**	**1,890**	**20,318**	**24,080**

	31 December 2023			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2023	46	931	13,271	14,248
Transfer to 12 month ECL	44	(34)	(10)	-
Transfer to lifetime ECL not credit impaired	(2,417)	2,463	(46)	-
Transfer to lifetime ECL credit impaired	(3,704)	(2,406)	6,110	-
New purchased	2,854	-	-	2,854
Write off	-	-	(3,643)	(3,643)
Net charge for the year	6,383	2,198	(2,616)	5,965
Balance as at 31 December 2023	3,206	3,152	13,066	19,424

7.4 The credit quality of Ijara receivables is as follows:

	31 December 2024	31 December 2023
Neither past due nor impaired	**8,406,005**	7,471,291
Past due but not impaired:		
- 1 to 30 days	**422,754**	218,997
- 31 to 60 days	**79,752**	34,329
- 61 to 90 days	**74,920**	72,690
Impaired	**193,498**	105,217
Gross carrying amount	**9,176,929**	7,902,524
Allowance for expected credit losses	**(24,080)**	(19,424)
Ijara receivables, net	**9,152,849**	7,883,100

7.5 These Ijara receivables are secured against mortgage of Ijara financed properties amounting to SAR 12,298 million (31 December 2023: SAR 10,359 million). Valuation technique used to determine the fair value of collateral included a combination of the cost and market approach based on Saudi Government real estate price index. The credit impaired assets are secured against the Ijara financed property amounting to SAR 314.3 million (31 December 2023: SAR 146 million) which covers more than 100% of the outstanding exposure.

Title deeds of real estate properties financed by the Company are registered in the name of the Company.

7. IJARA RECEIVABLES, NET (Continued)

7.6 The maturity of the Ijara receivables held as follows:

	31 December 2024	31 December 2023
Not later than 1 year	**2,820,801**	1,180,142
Later than 1 year but not later than 5 year	**3,840,345**	3,646,410
Later than 5 year	**7,141,932**	6,905,030
Gross Ijara receivables	**13,803,078**	11,731,582
Unearned finance income	**(4,626,149)**	(3,829,058)
Gross carrying amount	**9,176,929**	7,902,524
Allowance for expected credit losses	**(24,080)**	(19,424)
Ijara receivables, net	**9,152,849**	7,883,100

8. PREPAYMENTS AND OTHER ASSETS

	31 December 2024	31 December 2023
Prepayments	**11,825**	17,515
Other assets	**2,738**	2,355
	14,563	19,870

9. INVESTMENT IN AN ASSOCIATE, NET

	31 December 2024	31 December 2023
Balance as at 1 January	**10,813**	17,645
Share of loss in an associate	**(3,810)**	(1,332)
Impairment charge for the year	**(2,365)**	(5,500)
Balance as at 31 December	**4,638**	10,813

Investment in an associate represents 19% shareholding interest (2023: 19%) in the National Financing Service Company ("NFSC"). incorporated in the Kingdom of Saudi Arabia. The principal activity of NFSC is to provide financial services in the Kingdom of Saudi Arabia.

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

2024	**Leasehold improvements**	**Office equipment and furniture**	**Motor vehicles**	**Computer hardware**	**Right-of- use assets**	**Capital work in progress**	**Total**
Cost:							
At beginning of the year	**9,664**	**2,398**	**638**	**6,861**	**13,576**	**596**	**33,733**
Additions	**381**	**487**	**700**	**868**	**3,386**	**2,457**	**8,279**
Transfers	**2,025**	**597**	**-**	**-**	**-**	**(2,622)**	**-**
Disposal	**-**	**(29)**	**(637)**	**-**	**-**	**-**	**(666)**
At the end of the year	**12,070**	**3,453**	**701**	**7,729**	**16,962**	**431**	**41,346**
Accumulated depreciation:							
At the beginning of the year	**2,367**	**759**	**244**	**3,954**	**7,466**	**-**	**14,790**
Charge for the year	**2,038**	**498**	**181**	**895**	**3,683**	**-**	**7,295**
Disposal	**-**	**-**	**(297)**	**-**	**-**	**-**	**(297)**
At the end of the year	**4,405**	**1,257**	**128**	**4,849**	**11,149**	**-**	**21,788**
Carrying amounts:							
At the end of the year	**7,665**	**2,196**	**573**	**2,880**	**5,813**	**431**	**19,558**

2023	Leasehold improvements	Office equipment and furniture	Motor vehicles	Computer hardware	Right-of- use assets	Capital work in progress	Total
Cost:							
At beginning of the year	4,267	1,353	638	5,483	13,576	5,706	31,023
Additions	663	225	-	889	-	933	2,710
Transfers	4,734	820	-	489	-	(6,043)	-
At the end of the year	9,664	2,398	638	6,861	13,576	596	33,733
Accumulated depreciation:							
At the beginning of the year	231	245	117	3,239	4,751	-	8,583
Charge for the year	2,136	514	127	715	2,715	-	6,207
At the end of the year	2,367	759	244	3,954	7,466	-	14,790
Carrying amounts:							
At the end of the year	7,297	1,639	394	2,907	6,110	596	18,943

11. INTANGIBLE ASSETS, NET

2024	**Computer Software**	**Capital work in progress**	**Total**
Cost:			
At the beginning of the year	**24,131**	**4,399**	**28,530**
Additions	**459**	**2,736**	**3,195**
Transfers	**1,498**	**(1,498)**	**-**
At the end of the year	**26,088**	**5,637**	**31,725**
Accumulated amortization:			
At the beginning of the year	**18,149**	**-**	**18,149**
Charge for the year	**3,215**	**-**	**3,215**
At the end of the year	**21,364**	**-**	**21,364**
Carrying amounts:			
At the end of the year	**4,724**	**5,637**	**10,361**

2023	Computer Software	Capital work in progress	Total
Cost:			
At the beginning of the year	20,012	1,345	21,357
Additions	1,141	6,032	7,173
Transfers	2,978	(2,978)	-
At the end of the year	24,131	4,399	28,530
Accumulated amortization:			
At the beginning of the year	15,347	-	15,347
Charge for the year	2,802	-	2,802
At the end of the year	18,149	-	18,149
Carrying amounts:			
At the end of the year	5,982	4,399	10,381

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	**31 December 2024**	31 December 2023
Short-term borrowings	*12.1*	**3,456,323**	4,669,658
		3,456,323	4,669,658

12.1 This represents amounts borrowed from local commercial banks aggregating to SAR 3,437 million (31 December 2023: SAR 4,645 million) with varying maturity periods up till 1 year and carry borrowing costs ranging from 5.84% to 6.48% per annum (31 December 2023: 6.29% to 6.83% per annum).

As at 31 December 2024, the balance includes accrued special commission expense of SAR 19.3 million (31 December 2023: SAR 24.66 million).

13. DEBT SECURITIES ISSUED

As at 31 December 2024, the Company has in issuance various non-convertible unlisted Sukuk totalling to SAR 20,100 million (31 December 2023: SAR 20,600 million) with maturity periods ranging from 5 to 10 years. The debt securities issued amounting to SAR 20,000 million (31 December 2023: SAR 20,000 million) are guaranteed by Misnistry of Finance ("MOF"). These debt securities carry profit at fixed rates ranging from 2.11% to 5.30% per annum (31 December 2023: 2.11% to 5.30% per annum) payable semi-annually. As at 31 December 2024, the key features of the debt securities issued are as follows:

Issue No.	Tenor (Years)	Issue date	Profit type	Profit rate	Issue amount	Security
Issue No.1	10	6-Dec-2018	Fixed rate	4.66%	50,000	Unsecured
Issue No.1	7	6-Dec-2018	Fixed rate	4.35%	50,000	Unsecured
Issue No.3	7	3-Mar-2021	Fixed rate	2.11%	1,000,000	MOF Guaranteed
Issue No.3	10	3-Mar-2021	Fixed rate	2.65%	3,000,000	MOF Guaranteed
Issue No.4	10	9-Dec-2021	Fixed rate	3.04%	2,000,000	MOF Guaranteed
Issue No.5	8	6-Apr-2022	Fixed rate	3.53%	4,000,000	MOF Guaranteed
Issue No.6	10	25-Sep-2022	Fixed rate	4.02%	3,000,000	MOF Guaranteed
Issue No.7	10	28-May-2023	Fixed rate	4.30%	3,500,000	MOF Guaranteed
Issue No.8	5	16-Nov-2023	Fixed rate	5.20%	2,000,000	MOF Guaranteed
Issue No.8	7	16-Nov-2023	Fixed rate	5.30%	1,500,000	MOF Guaranteed
					20,100,000	

13.1 During the year, Sukuk amounting to SAR 500 million was matured.

13.2 As at 31 December 2024, the balance of debt securities issued includes accrued special commission expense of SAR 140 million (31 December 2023: SAR 147.5 million) and deferred Sukuk issuance cost of SAR 52.1 million (31 December 2023: SAR 59.8 million).

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	Notes	**31 December 2024**	31 December 2023
Servicing fee		**50,941**	76,341
Account payables	*14.1*	**1,052,985**	148,519
Lease liability		**5,040**	5,716
Employee benefit obligation	*18*	**8,567**	8,606
Accrued expenses:			
- Legal and professional services		**15,011**	3,948
- Employee and Board related expenses		**13,032**	42,893
- Credit support fee		**12,625**	13,829
- Others		**2,252**	881
		1,160,453	300,733

14.1 This includes amounts payable to originators for the portfolio acquisition amounting to SAR 915.2 million (31 December 2023: Nil). Further this also includes amounts payable to originators amounting to SAR 11 million (31 December 2023: SAR 7.7 million) against certain cash shortfalls paid by them on behalf of the customers in accordance with the servicing agreements.

15. SHARE CAPITAL

As at 31 December 2024, authorised, issued and fully paid-up share capital of the Company amounted to SAR 5,000 million (31 December 2023: SAR 5,000 million) divided into 500 million shares of SAR 10 each, which is fully owned by the Public Investment Fund (“the Shareholder”). The Shareholder is ultimately controlled by the Government of Kingdom of Saudi Arabia.

16. STATUTORY RESERVE

In accordance with the previous Regulations for Companies in Saudi Arabia, the Company was required to set aside a statutory reserve, after the absorption of any accumulated losses, by appropriating at least 10% of the annual net income until the reserve equaled 30% of the Company’s share capital. This reserve was not available for distribution.

16. STATUTORY RESERVE (Continued)

However, with the recent revision of the Company Law, the statutory reserve requirement has been removed. It is now at the discretion of the Company, through its By-laws, to establish a reserve for specific purposes. In line with this, the Company has updated its By-laws during the year. As a result, there has been no transfer from the net income to the statutory reserve during the year.

17. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2024 and 2023, there were no legal proceedings outstanding against the Company.

b) Credit related commitments and contingencies

As at 31 December 2024, the Company has unutilised Murabaha commitments amounting to SAR 422.78 million (31 December 2023: SAR 275 million).

18. EMPLOYEE BENEFIT OBLIGATION

a) General description

The Company operates an End-of-Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b) The amounts recognized in the statement of financial position and movement in the obligation during the years ended 31 December based on its present value are as follows:

	31 December 2024	31 December 2023
Defined benefit obligation at the beginning of the year	**8,606**	6,493
Current service cost	**2,498**	2,391
Special commission cost	**422**	308
Benefits paid	**(2,330)**	(373)
Remeasurement actuarial gain	**(629)**	(213)
Defined benefit obligation at the end of the year	**8,567**	8,606

c) Charge for the year

Current service cost	**2,498**	2,391
Special commission cost	**422**	308
	2,920	2,699

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

Discount rate	**5.40%**	4.90%
Expected rate of salary increase	**3.00%**	3.00%
Normal retirement age	**65**	60

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

e) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2024 and 2023 based on the principal actuarial assumptions disclosed in note (d) above.

Base scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
2024			
Discount rate	**1%**	**(904)**	**1,086**
Expected rate of salary increase	**1%**	**1,104**	**(933)**
Normal retirement age	**1 year**	**(43)**	**31**
2023			
Discount rate	1%	(848)	1,009
Expected rate of salary increase	1%	1,020	(872)
Normal retirement age	1 year	25	(39)

18. EMPLOYEE BENEFIT OBLIGATION (Continued)

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

f) Expected maturity

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

Expected cash flows over the next	**31 December 2024**	31 December 2023
- 1 year	**1,036**	1,756
- 2 to 5 years	**1,060**	707
- 6 to 10 years	**3,006**	2,362
- More than 10 years	**13,046**	11,121

19. SPECIAL COMISSION INCOME

	2024	2023
Ijara receivables	**524,816**	344,240
Murabha receivables		
- Retail	**625,301**	540,486
- Corporate	**366,755**	378,537
Bank deposit and money market placements	**77,085**	128,739
	1,593,957	1,392,002

20. SPECIAL COMISSION EXPENSE

	2024	2023
Debt securities issued	**788,451**	581,441
Short term borrowings	**224,676**	289,667
	1,013,127	871,108

21. SERVICING FEE

Servicing fee represents compensation paid to certain originators and NFSC collectively refered as “service providers”, for servicing of Ijara and Murabaha receivables on behalf of the Company. These service providers act in the capacity of an agent supporting the Company with the collection of Ijara and Murabaha receivables installments and other related activities. No credit risk is assumed by these service providers.

22. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Legal, consultancy and professional fees	**22,656**	15,208
Board remuneration and related expenses	**4,585**	5,975
IT support and maintenance	**17,162**	8,717
Utilities	**3,325**	2,896
Advertising and marketing	**3,837**	11,188
Travelling expenses	**281**	199
Subscriptions	**1,279**	1,007
Others	**3,267**	2,514
	56,392	47,704

23. IMPAIRMENT CHARGE FOR EXPECTED CREDIT LOSSES, NET

	Notes	**2024**	2023
Ijara receivables	*7*	**4,656**	5,176
Murabaha receivables	*6*	**(3,243)**	7,419
Due from banks and other financial institutions	*5*	**(130)**	268
Write offs	*6 & 7*	**8,768**	3,745
Recoveries of previously written off credit impaird assets		**(1,456)**	(1,075)
		8,595	15,533

24. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with its related parties. Related parties include Public Investment Fund ("the Shareholder"), the associate, the Company's Board of Directors ("BOD"), key management personnel, and other entities, which are under common control or significant influence through PIF ("Affiliates"). Key management personnel represent the Chief Executive Officer and his direct reports.

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

a) The balances resulting from transactions with related parties included in the financial statements are as follows:

Related parties	**Nature of balance**	**2024**	2023
Affiliates	Debt security held	**7,071,215**	7,474,865
	Murabaha receivables	**659,347**	643,104
	Servicing fee payable	**9,795**	13,178
	Cash and cash equivalents	**123,482**	153,540
	Due from banks and other financial institutions	**1,307,975**	2,677,433
	Due to banks and other financial institutions	**356,084**	-
	Prepayments and other assets	**966**	7,063
	Accrued expenses and other liabilities	**221,354**	21,043
	Additional capital contribution	**-**	13,000
Board of Directors	Board remuneration and related payable	**5,980**	5,937
Associate	Investment in an associate	**4,638**	10,813
	Servicing fee payable	**1,382**	24,000
Key management personnel	Employee's end of service benefits	**3,139**	3,325
	Short-term employee benefits	**3,241**	14,986

b) Income and expenses pertaining to transactions with related parties included in the financial statements are as follows:

Related parties	**Nature of transactions**	**2024**	2023
Board of Directors	Board remuneration and related expenses (Note 22)	**4,585**	5,975
Affiliates	Special commission income	**119,091**	162,658
	Special commission expense	**283,567**	237,822
	Servicing fee	**21,529**	44,555
	Other general and admin expenses	**4,517**	11,518

c) The total amount of compensation pertains to key management personnel during the period is as follows:

Related parties	**Nature of transactions**	**2024**	2023
Key Management Personnel	Short-term employee benefits	**31,876**	25,416
	Post-employment benefits	**1,101**	1,095

d) During the year, the Company entered into Murabaha transactions amounting to SAR 191.7 million (31 December 2023: SAR 493.5 million) and purchase of Ijara portfolios from Affiliates amounting to SAR 1,279.2 million (31 December 2023: SAR 582.3 million).

e) During the year ended 31 December 2023, the Company entered into a Tri-party agreement with the Shareholder and Al-Ittehad Club, under which the Shareholder paid a sponsorship fee amounting to SAR 13 million on behalf of the Company. This expense covered the period from July 2023 to June 2024.

24. RELATED PARTY TRANSACTIONS (Continued)

In accordance with the terms of the agreement, the Company recognized this sponsorship fee as an expense in its financial statements for the year ended 31 December 2023 and recorded it under additional share capital.

However, during the year ended 31 December 2024, an addendum to the Tri-party agreement was received, clarifying that the Shareholder would not charge the sponsorship fee to the Company. Instead, the Shareholder opted to recognize the sponsorship fee as an expense in their own financial statements. As a result of this clarification, the Company has reversed the recognition of the additional share capital previously recorded in 2023.

25. RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including profit rate risks, equity price risk and currency risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out under policies approved by the management. The management identifies, evaluates and has written principles for overall risk management covering specific areas, such as foreign exchange risk, profit rate risk, credit risk and investment of excess liquidity.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit risk including evaluation of customers credit worthiness, formal credit approvals and obtaining collateral.

The Company follows a credit classification mechanism, as a tool to manage the quality of credit risk. The credit classification differentiates between performing and non-performing portfolios and allocates provisions accordingly.

The credit risks on Murabaha and Ijara receivables is mitigated by the retention of collaterals.

The table below reflects the maximum exposure to credit risk on the financial assets at the reporting date:

	2024	2023
Cash at bank	**162,656**	210,126
Due from banks and other financial institutions	**1,307,975**	2,677,433
Murabaha receivables	**19,707,907**	20,198,173
Ijara receivables	**9,176,929**	7,902,524
Other current assets	**2,738**	2,355
	30,358,205	30,990,611

Credit risk on cash at bank is limited as the balances are held with banks with investment grade credit ratings.

ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company 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 Company's historical experience and expert credit assessment and including forward-looking information.

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Generating the term structure of PD

The PD term structure is derived from transition matrices (Markov chain approach). The transition matric model determines the probability of default of receivables by tracking the historical movement of receivables.

Determining whether credit risk has increased significantly

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

The Company 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.

25. RISK MANAGEMENT (Continued)

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

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL and profit is calculated on the gross carrying amount of asset (i.e. without deduction of credit allowances). All accounts at origination would be classified as Stage 1 only exceptions are Purchased or Originated Credit Impaired ("POCI") assets (if any).

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition, but they are not credit-impaired (i.e. there is no objective evidence of impairment), the Company recognises an allowance for the lifetime ECL.

With respect to portfolios held by Company, all the exposures are moved to stage 2 where the customer is 30 Days Past Due (DPD) or more (Principal or profit payments) during the year.

Stage 3: for credit-impaired (i.e. there is objective evidence of impairment at reporting date) financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 90 days or more (obligors already defaulted) is used as stage 3.

Modified financial assets

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

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

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The revised terms usually include extending the maturity or changing the timing of profit payments.

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, without recourse by the Company to actions such as realizing security; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

Incorporation of forward looking information

The Company 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 consideration of a variety of actual and forecast information, the Company 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 or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts

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

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio using an analysis of historical data and estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2024 included the following ranges of key indicators.

Economic Indicators		**2024**	2023
GDP		**Upside 20%**	Upside 20%
		Base case 45%	Base case 45%
		Downside 35%	Downside 35%
Treasury Bills		**Upside 20%**	Upside 20%
		Base case 45%	Base case 45%
		Downside 35%	Downside 35%

25. RISK MANAGEMENT (Continued)

Measurement of ECL

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

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

PD estimates are estimates at a certain date, which are calculated based on statistical models (loss rate estimation method) and assessed to the various categories of counterparties and exposures. These statistical models are based on limited historical data of the financing portfolio comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between DPD buckets, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

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.

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 (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of loan.

ECL is calculated as a weighted average of a downside, base case and upside ECL scenarios.

Sensitivity of ECL allowance:

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

Assumptions sensitized	**Statement of income Impact**	
Macro-economic factors:	**2024**	2023
Increase in GDP by 1%	**(1,228)**	(1,121)
Decrease in GDP by 1%	**1,552**	1,308
Increase in Treasury Bills rate by 1%	**397**	401
Decrease in Treasury Bills rate by 1%	**(365)**	(382)

Collateral

The Company in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the Ijara receivables and Murabaha receivables. These collaterals comprises of real estate. The collaterals are held mainly against Ijara receivables Murabaha receivables and 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.

Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates. Market rate can be categorized into currency risk, profit rate risk and equity price risk as follows:

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and therefore is not significantly exposed to currency risk.

25. RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements. The table below shows an analysis of assets and liabilities on discounted cashflows. The expected maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the final contractual maturity date.

		Contractual cash flows				
2024	**Carrying value**	**Up to three months**	**More than three months and up to one year**	**More than one year**	**No fixed maturity**	**Total**
Assets						
Cash and cash equivalents	**162,660**	**-**	**-**	**-**	**162,660**	**162,660**
Due from banks and other financial institutions, net	**1,307,837**	**7,837**	**-**	**1,300,000**	**-**	**1,307,837**
Murabaha receivables	**19,701,074**	**1,555,161**	**1,599,834**	**16,199,851**	**346,228**	**19,701,074**
Ijara receivables	**9,152,849**	**261,926**	**441,126**	**8,331,493**	**118,304**	**9,152,849**
	30,324,420	**1,824,924**	**2,040,960**	**25,831,344**	**627,192**	**30,324,420**
Liabilities						
Due to banks and other financial institutions	**3,456,323**	**3,038,714**	**417,609**	**-**	**-**	**3,456,323**
Debt securities issued	**20,187,924**	**13,823**	**124,101**	**20,050,000**	**-**	**20,187,924**
Accrued expenses and other liabilities	**1,160,453**	**1,012,522**	**16,026**	**123,338**	**8,567**	**1,160,453**
	24,804,700	**4,065,059**	**557,736**	**20,173,338**	**8,567**	**24,804,700**
Gap	**5,519,720**	**(2,240,135)**	**1,483,224**	**5,658,006**	**618,625**	**5,519,720**
2023						
Assets						
Cash and cash equivalents	210,133	-	-	-	210,133	210,133
Due from banks and other financial institutions, net	2,677,165	2,165	-	2,675,000	-	2,677,165
Murabaha receivables	20,188,097	1,544,759	1,439,917	16,812,284	391,137	20,188,097
Ijara receivables	7,883,100	213,778	379,464	7,177,226	112,632	7,883,100
	30,958,495	1,760,702	1,819,381	26,664,510	713,902	30,958,495
Liabilities	4,669,658	3,959,116	710,542	-	-	4,669,658
Due to SAMA and other financial institutions	20,687,647	509,398	78,249	20,100,000	-	20,687,647
Debt securities issued	300,733	150,134	14,933	127,060	8,606	300,733
Accrued expenses and other liabilities	25,658,038	4,618,648	803,724	20,227,060	8,606	25,658,038
Gap	5,300,457	(2,857,946)	1,015,657	6,437,450	705,296	5,300,457

The management has planned to manage the three months liquidity risk gap by issuance of sukuk or utilizing the available short term facilties.

25. RISK MANAGEMENT (Continued)

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 at the date of statement of financial position are the Company's Ijara receivables, where fluctuations in profit rates, if any, are reflected in the results of operations. The Company's Murabaha receivables carry commission at agreed fixed rate, hence the Company is not exposed to Profit rate risk on Murabaha receivables. Fluctuations in rates of financing for the Ijara receivables, if any, are reflected in the statement of profit or loss.

The following table depicts the sensitivity to a reasonable possible change in profit rates, with other variables held constant, on the Company's statement of profit or loss. The sensitivity of income is the effect of the assumed changes in profit rates on the Ijara income.

	Change in variables	Effect on income
31 December 2024	**+/-15**	**1,209**
31 December 2023	+/-15	1,065

Equity Price Risk

Equity price risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or profit rate risk), whether those changes are caused by factors specific to the individual financial instrument issuer, or factors affecting all similar financial instruments traded in the market.

As of 31 December 2024, the Company has no equity investments measured at fair value, hence the Company is not exposed to equity price risk.

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 fair values of on-statement of financial position financial instruments are not significantly different from their carrying amounts included in the financial statements.

Financial instruments comprise financial assets and financial liabilities.

Determination of fair value and fair value hierarchy

The Company uses 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

a) Carrying amounts and fair value

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

	31 December 2024				
	Carrying value	Fair Value			
Financial assets		**Level 1**	**Level 2**	**Level 3**	**Total**
Due from banks and other financial institutions, net	**1,307,837**	-	-	**1,321,958**	**1,321,958**
Murabaha receivables, net	**19,701,074**	-	-	**18,289,127**	**18,289,127**
Ijara receivables, net	**9,152,849**	-	-	**8,453,812**	**8,453,812**

26. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

	31 December 2023				
	Carrying value	Fair Value			
		Level 1	Level 2	Level 3	Total
Due from banks and other financial institutions, net	2,677,165	-	-	2,632,177	2,632,177
Murabaha receivables, net	20,188,097	-	-	19,002,814	19,002,814
Ijara receivables, net	7,883,100	-	-	7,299,588	7,299,588

	31 December 2024				
	Carrying value	**Fair Value**			
Financial liabilities		**Level 1**	**Level 2**	**Level 3**	**Total**
Due to banks and other financial institutions	**3,456,323**	**-**	**-**	**3,528,650**	**3,528,650**
Debt securities issued	**20,187,924**	**-**	**-**	**17,999,566**	**17,999,566**

	31 December 2023				
	Carrying value	Fair Value			
		Level 1	Level 2	Level 3	Total
Due to banks and other financial institutions	4,669,658	-	-	4,905,611	4,905,611
Debt securities issued	20,687,647	-	-	18,577,716	18,577,716

b) Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers between levels of the fair value hierarchy during the years ended 31 December 2024.

ii. Valuation technique and significant unobservable inputs

Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include Ijara and Murabaha receivables, Due from banks and other financial institutions, Due to SAMA and other financial institutions and Debt securities issued. The valuation of Ijara, Murabaha receivables and Due from banks and other financial institutions is estimated using contractual cash flows discounted at latest yield. The valuation of due to banks and other financial institutions and debt securities issued is estimated using contractual cash flows discounted at latest discount rate.

Management assessed that the carrying amount of other financial instruments largely approximate fair value.

27. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. Capital adequacy ratios as monitored and measured by the management measure capital adequacy by comparing the Company's eligible capital with its statement of financial position, commitments, if any, at a weighted amount determined by management to reflect their relative risk.

28. ZAKAT

The Company, a wholly owned subsidiary of the Public Investment Fund ("PIF"), was exempt from Zakat in accordance with the regulations of the Zakat, Tax and Custom Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia and the specific exemption from the ZATCA in this regard via letter number 20501/15/1439 dated 9 Jumadah II 1439 (corresponding to 25 February 2018). However, the Company has been submitting its Zakat returns annually to the ZATCA.

The Company obtained Zakat exemption for the year 2024, which has been confirmed via ministerial resolution number 33564 dated 17/6/1446H (corresponding to 18 December 2024).

29. EARNINGS PER SHARE

Basic Earnings per share for the years ended 31 December 2024 and 2023 is calculated by dividing the net profit for the year attributable to the equity holders by 500 million shares.

30. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

31. SUBSEQUENT EVENT

On 27 February 2025, subsequent to the year-end 31 December 2024, the Company issued two debt securities, amounting to USD 1 Billion each (SAR 3.75 billion each). The debt securities were issued as part of the Company's ongoing financing activities and are due to mature in 2028 and 2035 respectively.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors' on 2 Ramadan 1446H (corresponding to 2 March 2025).