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# ALINMA BANK

## (A Saudi Joint Stock Company)

## BASEL III Pillar 3 Disclosures

## For the Financial Period Ended December 31, 2024

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## KM1: Key Metrics (at group consolidated level)

SAR 000's

| | | T<br>December 31, 2024 | T–1<br>September 30, 2024 | T–2<br>June 30, 2024 | T–3<br>March 31, 2024 | T–4<br>December 31, 2023 |
|---|---|---|---|---|---|---|
| | **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | **32,714,234** | 32,390,115 | 31,418,900 | 30,789,236 | 29,574,557 |
| 1a | Fully loaded ECL accounting model CET1 | **32,714,234** | 32,329,876 | 31,298,422 | 30,608,520 | 29,333,601 |
| 2 | Tier 1 | **41,464,734** | 41,141,515 | 40,170,400 | 39,539,736 | 34,574,557 |
| 2a | Fully loaded ECL accounting model Tier 1 | **41,464,734** | 41,081,276 | 40,049,922 | 39,359,020 | 34,333,601 |
| 3 | Total capital | **44,040,887** | 43,989,209 | 42,915,543 | 42,149,672 | 36,997,990 |
| 3a | Fully loaded ECL accounting model total capital | **44,040,887** | 43,928,970 | 42,795,065 | 41,968,956 | 36,757,034 |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | **248,228,490** | 242,149,543 | 231,569,460 | 221,066,964 | 211,594,124 |
| 4a | Total risk-weighted assets (pre-floor) | **248,228,490** | 242,149,543 | 231,569,460 | 221,066,964 | 211,594,124 |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | CET1 ratio (%) | **13.18%** | 13.38% | 13.57% | 13.93% | 13.98% |
| 5a | Fully loaded ECL accounting model CET1 (%) | **13.18%** | 13.35% | 13.52% | 13.85% | 13.86% |
| 5b | CET1 ratio (%) (pre-floor ratio) | **13.18%** | 13.38% | 13.57% | 13.93% | 13.98% |
| 6 | Tier 1 ratio (%) | **16.70%** | 16.99% | 17.35% | 17.89% | 16.34% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | **16.70%** | 16.97% | 17.29% | 17.80% | 16.23% |
| 6b | Tier 1 ratio (%) (pre-floor ratio) | **16.70%** | 16.99% | 17.35% | 17.89% | 16.34% |
| 7 | Total capital ratio (%) | **17.74%** | 18.17% | 18.53% | 19.07% | 17.49% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | **17.74%** | 18.14% | 18.48% | 18.98% | 17.37% |
| 7b | Total capital ratio (%) (pre-floor ratio) | **17.74%** | 18.17% | 18.53% | 19.07% | 17.49% |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | **2.50%** | 2.50% | 2.50% | 2.50% | 2.50% |
| 9 | Countercyclical buffer requirement (%) | **0.00%** | 0.00% | 0.00% | 0.00% | 0.00% |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) | **0.00%** | 0.00% | 0.00% | 0.00% | 0.00% |
| 11 | Total of bank CET1 specific buffer requirements (%)<br>(row 8 + row 9 + row 10) | **2.50%** | 2.50% | 2.50% | 2.50% | 2.50% |

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| KM1: Key Metrics (at group consolidated level) | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | SAR 000's |
| | | T<br>December 31, 2024 | T–1<br>September 30, 2024 | T–2<br>June 30, 2024 | T–3<br>March 31, 2024 | T–4<br>December 31, 2023 |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | **6.18%** | 6.38% | 6.57% | 6.93% | 6.98% |
| | **Basel III Leverage ratio** | | | | | |
| 13 | Total Basel III leverage ratio exposure measure | **301,959,220** | 292,893,329 | 282,584,983 | 267,528,862 | 258,152,275 |
| 14 | Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) | **13.73%** | 14.05% | 14.22% | 14.78% | 13.39% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%) | **13.73%** | 14.03% | 14.17% | 14.71% | 13.30% |
| 14b | Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) | **13.73%** | 14.03% | 14.17% | 14.71% | 13.30% |
| 14c | Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets | **13.73%** | 14.05% | 14.22% | 14.78% | 13.39% |
| 14d | Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets | **13.73%** | 14.03% | 14.17% | 14.71% | 13.30% |
| | **Liquidity Coverage Ratio (LCR)** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | **46,763,162** | 44,594,900 | 43,238,816 | 41,024,946 | 40,248,784 |
| 16 | Total net cash outflow | **38,322,586** | 33,828,912 | 33,472,706 | 30,739,617 | 27,421,904 |
| 17 | LCR ratio (%) | **122.03%** | 131.82% | 129.18% | 133.46% | 146.78% |
| | **Net Stable Funding Ratio (NSFR)** | | | | | |
| 18 | Total available stable funding | **184,139,370** | 181,828,138 | 178,335,325 | 167,809,957 | 161,301,733 |
| 19 | Total required stable funding | **170,193,530** | 166,551,667 | 163,007,754 | 154,719,497 | 148,320,345 |
| 20 | NSFR ratio | **108.19%** | 109.17% | 109.40% | 108.46% | 108.75% |

# OVA – Bank risk management approach

## a) Business model determination and risk profile

Alinma is a Saudi Joint Stock Company, with SAR 25.000 billion in paid-up capital and SAR 41.442 billion total equity for Financial Year-End (FYE) 2024, is a fully Sharia compliant bank providing banking services through 115 branches in the Kingdom. The Bank has four (4) lines of business namely Retail, Corporate (which includes the SME), Treasury and Investment/Brokerage. The Bank also offers investment, asset management, retail remittances, financial technology and outsourcing services through the subsidiaries and associates mentioned below:

- Alinma Investment Company (AIC) is a fully owned subsidiary capitalized at SAR 500 million;
- Al-Tanweer Real Estate Company is a fully owned subsidiary capitalized at SAR 100,000. Al-Tanweer does not do business for its own account. Its main purpose is to facilitate Alinma's mortgage financing and commercial financing backed by real estate collateral;
- Saudi FinTech Company and ESNAD Company are 100% owned subsidiaries, capitalized at SAR 200 million and SAR 0.5 million respectively;
- Alinma SPV Limited is a fully owned subsidiary, licensed in the Cayman Islands with authorized capital of SAR 187,500 (USD 50,000). Its main purpose is to facilitate Alinma's financial derivatives transactions and repurchase agreements with international banks. This subsidiary was established on January 25, 2022;
- ERSAL Financial Remittance Company is a joint venture between Alinma Bank and Saudi Post, it is capitalized at SAR 50 million. It is owned 50% by Alinma Bank and 50% by Saudi Post;
- The Bank also owns 20.25% of Alinma Fund for Private Equity Investments and is treated as an investment in an associate;
- In addition to above subsidiaries, the Bank has effective control of the Alinma Sukuk ETF, Alinma IPO Fund and Dhaban Real Estate Fund in which the Bank holds 92.92%, 54.90% and 100% ownership, respectively;
- The Bank's financial statements consolidate all subsidiaries and controlled funds, whereas the associates and joint ventures reported under the equity method.

Alinma's business has grown during the past years. The Bank continues to operate with optimal balance of risks and rewards while adhering to its strategic objectives. Its continuing mission is to be the fastest and most convenient bank in the Kingdom.

The Bank's overall strategic positioning is cascaded into the strategies of each business to:

- Be recognized and celebrated as the fastest and most convenient bank in Kingdom of Saudi Arabia (KSA);
- Be the #1 in Net Promoter Score (NPS) across KSA Banks;
- Be the "#1 Employer of Choice" across KSA Banks;
- Be the most digitally advanced, fastest, and most convenient Retail bank in KSA;
- Be the Corporate bank with the best customer experience (increasingly integrated) and offer the fastest turnaround time in KSA;
- Be the most innovative Sharia compliant Treasury partner across KSA.

The Bank achieved nearly all its 2024 strategic objectives. At the Bank, the revision of key performance indicators (KPIs) and strategic initiatives is a continuous process. In order to trace and report on the success of the overarching Strategic Plan, the benefit realization of completed strategic initiatives is monitored. Appropriate measures are taken to rectify any discrepancies between actual results and planned KPI.

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**Risk Profile**

- Credit Risk - potential failure of the counterparty to meet its obligations as per the contracted terms. The following are the primary credit-risk taking units: Corporate Banking Group (CBG), Retail Banking Group (RBG) and Treasury Group (TG).
- Market Risk - the price risk arising from the probability that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices.
- Operational Risk - the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. All bank units carry operational risk with varying degrees of severity depending on the function of the unit.
- Residual credit, market and operational risks - remaining threats that may not be covered above.
- Concentration Risk - a single point of failure in the credit portfolio mix. The Bank is exposed to three types of these risks namely obligors (name), sector and collateral concentration risk.
- Sharia'h Non-compliance Risk - the risk of non-adherence of the Bank to Sharia'h Guidelines.
- Liquidity Risk - is the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.
- Profit Rate Risk in Banking Book – the risk arises from changes in profit rates that affect either the fair values or the future cash flows of profit-rate sensitive financial instruments in the Banking Book.
- Macroeconomic and Business Cycle Risk - is a risk associated with the cyclicality of the economy that drives other risk variables such as credit, market or liquidity due to changes in economic factors.
- Strategic and Reputational Risk - a risk to the Bank's earnings and profitability arising from strategic decisions, changes in business conditions, the conditions, the improper implementation of decisions and/or the improper management of issues important to the public at large.
- Cybersecurity risks are related to the loss of confidentiality, integrity, or availability of information and its system, which may negatively affect the Bank's reputation or result in financial losses.
- Fraud risk: fraud pertains to the intentional use of deceitful or misleading practices in order to gain personal or financial advantages at the expense of others

**Risk Appetite**

The Risk Management Group (RMG) maintains the overall risk profile of the Bank at the optimal level by making sure that the Bank's risk attitude is always within its risk appetite. Business at the first line of defense and RMG at the second line, monitor the risk appetite thresholds and reports regularly to the senior management.
The Bank's risk tolerance is the maximum level of risk allowed as determined by the regulatory and / or board instructions.
The Risk Capacity of the Bank is broadly governed by the following parameters:

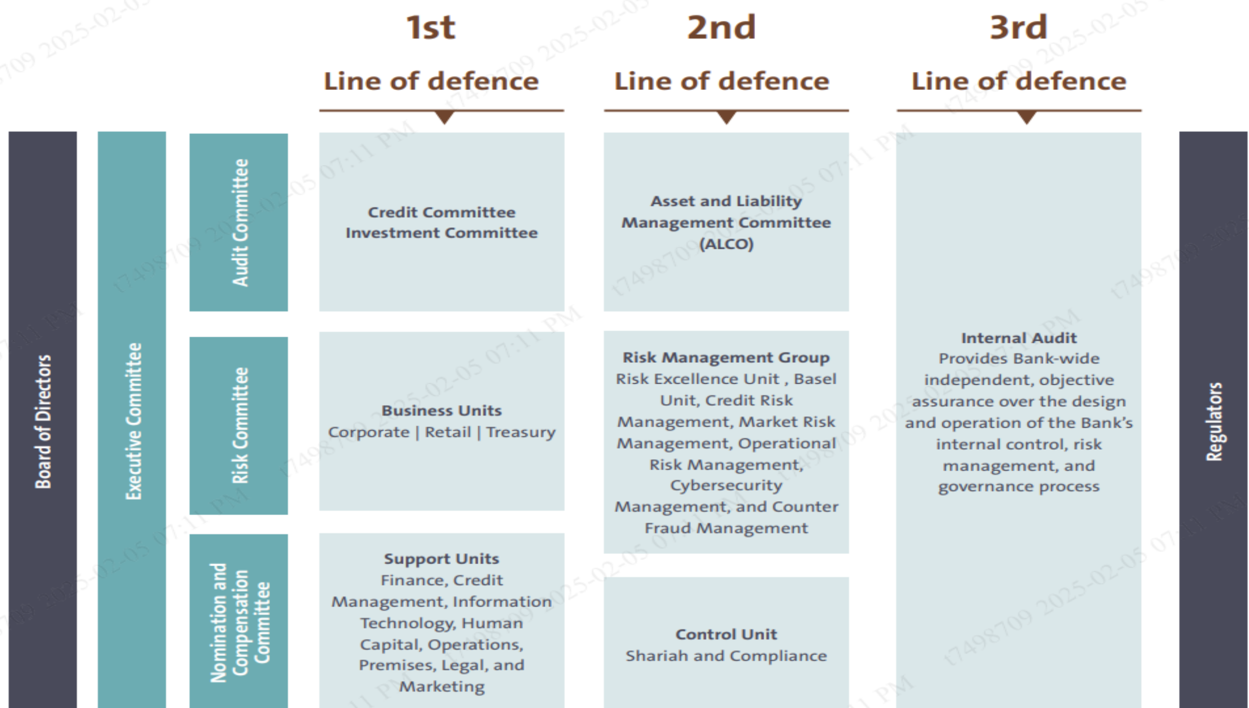
- Comply with the Large Exposure Rules for Banks reference 1651/67 dated 09/01/1441 H. The aggregate exposure to a Single Counterparty and Group of Connected Counterparties must not exceed 5%, 15% and 25% of the Eligible Capital Base (ECB) Tier I capital as defined under the Rules. For government's majority-owned enterprises, the limit increased to 25% of eligible capital
- Article 6 of the Banking Control Law also governs the risk capacity of the Bank: "The deposit liabilities of the Bank shall not exceed fifteen times (15X) its reserves and paid-up or invested capital".
- Capital Adequacy Ratio (Pillar 1 and 2) must not drop below the minimum set by SAMA.
- Regulatory Liquidity Ratio must not exceed the minimum set by SAMA, currently at 20%
- The Financing to Deposit Ratio (LDR) shall not exceed the SAMA limit, currently at 90%

- Liquidity ratios shall not fall below SAMA limit, currently the minimum is 100% for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
- Bank must stay within the Overall the Board's approved boundaries and governance

## b) The risk governance structure

The Bank's strong performance while navigating uncertain times without major incident was underpinned by its risk governance that viewed risk mitigation and management as non-negotiable. The Board of Directors and the Risk Committee of the Board worked in tandem to enforce strong risk governance that contributed to a growing balance sheet while averting adverse incidents.

The Bank's risk management framework is based on the Three Lines of Defense model, demonstrating Alinma's integrated and corroborative effort across all levels of the Bank to ensure effective Enterprise Risk Management.




**Board of Directors (Board )** – sets the Bank's overall enterprise risk management philosophy, strategy, risk tolerance levels and risk policies. The Board has ultimate responsibility for the Bank's enterprise risk management. The Board establishes Board committees for risk functions, but they retain the responsibility. The Board delegates to the management the day-to-day monitoring of risks, but it continues to be accountable for ensuring these are carried out within the ambit of statutory, regulatory and good banking practices.

**Executive Committee of the Board (ExCom)** – delegates to the ExCom the oversight of the enterprise risk management including the review and approval of all risk management policies and approval of specific large credits that are beyond the limits delegated to the Bank Management pursuant to the Credit Approval Authority Delegation Matrix. The ExCom regularly reviews, assesses the overall risk profile of the Bank and advise the senior management to take action, where necessary;

**Risk Committee of the Board (RiskCom)** - reviews and recommends for approval to the Board, and exercises oversight on an on-going basis of the Risk Appetite Framework and Policy of the Bank and the risk management framework that supports it;

**Audit Committee and Nominations & Compensation Committee** - The functions and authorities of these committees meet the SAMA Governance Guidelines and are all approved by the Board of Directors;

**Assets and Liabilities Committee (ALCO)** - evaluates, establishes, promulgates and enforces policies on the market and liquidity risk management and strategies, to optimize shareholders' value through effective management of the Bank's balance sheet and assumes Management level oversight on the review, approval, implementation and monitoring of the Bank's Risk Appetite Framework and Policy in the context of market and liquidity risks;

**Credit Committee** - reviewing and approving authority for all credit exposures to counter-parties, Corporate, SME, FI, Private Banking/High Net-worth customers and individual and Self-Employed segments. All credit approvals require the signature of at least one (1) authorized credit approver from Risk Management in addition to the authorized credit approvers from Corporate Banking Group and/or Retail Group, as the case may be;

**Investment Committee** - prepares, reviews and recommends strategic investment policies of the Bank. It has also assumed the responsibility of reviewing and approving specific investments as well as the regular monitoring of the performance of the various new and existing investment assets of the Bank.

**Risk management Group** - In partnership with the business groups and the support units of the Bank, the Risk Management formulates and implements procedures and processes to help the Staff and Management of the Bank assess and mitigate the occurrence of all Risks (i.e., Credit, Operational, Market and other Risks); it escalates these Risks, when necessary, to the Chief Risk Officer (CRO), the CEO, ExCom and Board, for their information and required action. With respect to Credit Risk, which is the largest risk of the Bank, the Risk Management through the CRO and the Chief Credit Officer (CCRO), are the "enablers" who with their collective experience and knowledge, are tasked with the responsibility of conducting independent reviews and assessments of Credit Risks and (as part of the Credit Committee) and approving, modifying the terms, or completely rejecting the credit. The Risk Management also acts as the "goal keepers" by making sure that the Policies and Guidelines on Risk taking (including the Risk Appetite Framework) are met and all documentation and limits of the Credit Risk exposure are properly approved and monitored for compliance;

**Business Units** - Corporate, Retail and Treasury Groups are the key business groups charged with originating, recommending and managing the largest portion of the Bank's overall risk asset exposure. These key business units have the primary responsibility to implement the risk policies in their respective units under the monitoring and oversight of the Risk Management Group;

**Support Units** - perform Risk and Control Self-Assessment (RCSA) periodically to identify, analyze and evaluate operational risks in their respective business activities in support of the business units;

**Control Units** - ensure that the Bank is compliant through review of the Bank's transactions, activities and executive procedures vis-a-vis Sharia'h guidelines and laws & regulations of the country;

**Internal Audit** - evaluates independently the internal control of the overall risk profile, risk management governance, as well as the operating effectiveness of its policies and procedures.

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## c) Channels to communicate, decline and enforce the risk culture

The primary documents that govern, define and guide the implementation of the risk culture of the Bank are the Policies of the Bank covering various disciplines. This includes the Enterprise Risk Policy, the Risk Appetite Framework and Policy, the Credit (Corporate and Retail) Policies, the Treasury and Investment Policy, the Operational Risk Policy, the Market Risk Policy, the Liquidity Risk Management Policy, Internal Audit Policy, Information Security Policy, Anti-Fraud Policy and other Policies that govern the implementation, control and monitoring of the Bank's business. To oversee these policies, management has created a number of Committees, the most important of which are: the Assets and Liabilities Committee (ALCO), the Credit Committee, the IT Steering Committee, the Information Security Steering Committee, the Business Continuity Steering Committee, the Human Capital Committee, the Procurement Committee.

## d) The scope and main features of risk measurement systems

### 1. Credit Risk

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. To mitigate the risk of a counterparty defaulting, the Bank adheres to a robust, proactive credit process designed to ensure that every originated credit aligns with the institution's risk appetite and meets the criteria under which credits are extended. Each credit proposal undergoes thorough due diligence to identify and assess all potential risks associated with granting the credit.

An internal credit-rating model is employed to determine the Obligor Risk Rating (ORR), which quantifies the obligor's probability of default. In addition, ratings from major credit rating agencies are taken into account, provided they are available and disclosed by clients. A key element of this process is the Target Market, which acts as the first filter to ensure that the Bank avoids initiating or maintaining relationships with obligors that do not align with its strategic goals or desired risk profile. The Risk Acceptance Criteria (RAC) establishes the conditions under which the Bank is willing to engage in or continue a credit relationship with an obligor that meets the target market criteria. The credit assessment for individual obligors of Retail Asset products is performed through automated product specific scorecard framework.

The business team, responsible for originating, evaluating, and recommending credit proposals, plays a critical role in the front-end marketing process. Credit approval is granted in accordance with the Board-approved "Credit Approval Authority Delegation Matrix," which governs the Credit Committee, composed of the CEO, Business Senior Credit Officer, and Chief Credit Officer. Credits are extended based on the Bank's Corporate, Financial Institutions, and Retail Banking Credit Policies and Guidelines.

*Credit Risk Grades*

The Bank follows a comprehensive and well-structured credit evaluation process, anchored in a clearly defined Target Market and Risk Acceptance Criteria, underpinned by a robust framework of credit policies and an extensive due diligence process. This credit review and approval procedure is further reinforced by stringent credit administration controls and a vigilant monitoring system for credit limits.

To determine an internal risk rating, the Bank leverages the Moody's CreditLens platform, a rating system that is widely utilized by leading global banks and those within the Kingdom. This platform enables the Bank to assign a precise risk rating to each obligor, reflecting a 12-month probability of default (PD). The rating scale spans from 1 (indicating the lowest risk) to 10 (indicating the highest risk), with intermediate sub-grades (e.g., 3+, 3, and 3-) providing a more granular assessment of

the obligor's PD. In line with the Bank's policy, only obligors with risk ratings of 6- or better are eligible for new financing facilities.

The Bank ensures that the Moody's CreditLens rating system remains aligned with current market dynamics by regularly calibrating the score ranges, rating grades, and corresponding PDs. All obligors are subject to ongoing monitoring and annual reviews, during which their credit risk grades may be reassessed and adjusted. These changes may result from various factors, including updates in audited financial statements, changes in compliance with covenants, shifts in management, or broader fluctuations in the economic and business environment.

For the retail portfolio, credit risks are assessed using individual credit-worthiness scores generated through an automated credit scoring platform, which operates independently of the Moody's rating system.

*Impairment Framework*

The Bank's impairment framework is designed to ensure the accurate recognition of credit losses and the appropriate provision of allowances in accordance with International Financial Reporting Standards (IFRS9). The framework is integral to maintaining the financial health of the Bank, ensuring that all credit exposures are assessed for impairment and that sufficient provisions are made to absorb potential losses.

The Bank recognizes impairments on financial assets through an Expected Credit Loss (ECL) model, which applies a forward-looking approach to estimate potential credit losses. This model incorporates both historical data and forward-looking information to assess the credit quality of assets and to determine an appropriate impairment allowance. The ECL model is based on three stages of credit deterioration.

The Bank's Credit Risk Management function is responsible for monitoring credit exposures, identifying deteriorating assets based on pre-set Significant Increase in Credit Risk (SICR) criteria, and ensuring the accuracy of impairment provisions. Regular periodic reviews of the credit portfolio are conducted to assess changes in credit risk and to update impairment provisions as necessary. The Bank also employs a range of models, including internal credit ratings, macroeconomic variables, and industry-specific factors, to estimate the expected credit loss and assess the adequacy of provisions.

Impairment provisions are subject to regular governance and oversight by the Risk Management and Impairment Committee to ensure they are consistent with the Bank's policies and are aligned with the regulatory requirements. In addition, external audits are conducted to verify the adequacy and accuracy of impairment provisioning, ensuring transparency and adherence to financial reporting standards.

In the retail portfolio, the impairment framework and the assessment of the portfolio's credit quality, relies on automated credit scoring models that incorporate both quantitative data (e.g., payment history, income stability) and qualitative factors (e.g., economic conditions). For corporate and institutional financing, impairments are determined based on detailed credit reviews, with consideration given to individual obligor risk ratings, financial performance, and macroeconomic conditions.

The Bank remains committed to ensuring that its impairment framework is robust and responsive to changing economic conditions, regulatory developments, and evolving market risks. This approach enables the Bank to maintain financial stability, safeguard shareholder value, and fulfil its obligations to customers and stakeholders.

**2. Market Risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates and commodity prices. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

*Market risk – trading book*

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices.

*Market risk – non trading book*

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on investments held at "FVOCI".

*Profit rate risk*

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits which are regularly monitored by ALCO. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for SAR and appropriate reference rates for USD lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost of fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term loans usually require a higher profit rate) based on marginal costs of funds.

*Currency risk*

Currency risk represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Bank's Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign currencies because its assets and liabilities are primarily denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies.

*Equity price risk*

Equity price risk refers to the risk of decrease in fair values of equities as a result of changes in the levels of equity index and the value of individual stocks.

**3. Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

**4. Other Pillar 2 Risks**

The Bank actively manages its Asset/Liability using various metrics of "Liquidity" and "Profit Rate Risk." In its "Market Risk" dashboard, liquidity is monitored daily using the SAMA imposed, Basel III approaches on liquidity measurements and metrics - LCR, for short-term liquidity and NSFR, for long-term liquidity.

Residual Credit Risk capital is calculated as the difference between the Foundation Internal Ratings- based (FIRB) approach and the Standardize approach. Residual Market Risk is calculated as the difference between the standardized approach and advance approaches (i.e., Value-at-Risk, Expected Shortfall) while residual Operational Risks is calculated using the statistical comparative analysis based on historical losses and projected losses based on Monte Carlo simulation.

Strategic, Reputational, Sharia Non-Compliance (SNC), ESG, Technology, Cybersecurity, Fintech, Data Governance, Model, AML/CTF, Fraud, Remuneration, Subsidiaries & Associates and Third-Party Risks are calculated based on a scorecard approach while Legal Risk is calculated via a Risk Assessment scorecard.

Name (obligor) concentration Risk of the Corporate portfolio is calculated using Granularity Adjustment (GA) method and Industry Sector concentration Risk of the Corporate portfolio is calculated using the Herfindahl–Hirschman Index (HHI). On the other hand, the Collateral concentration of the Corporate and Retail portfolio, uses a combination of HHI and Real Estate price index.

Liquidity Risk is calculated as part of the Internal Liquidity Adequacy Assessment Process (ILAAP);

Profit Rate Risk in the Banking Book" is calculated using the Economic Value of Equity (EVE); and Macroeconomic and Business Cycle Risk is calculated by assessing the impact of the average movement in macroeconomic factors.

**e) Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure**

On a regular basis, the RiskCom and the ExCom receive Portfolio reports covering existing approved limits and outstanding exposure for all facilities granted to a particular customer in the Corporate Banking Group, the Obligor Risk Rating, summary reports on Sector Concentration, obligations past due and non-performing and the level of provisions booked for each account (specific provisions or collective provisions). The ExCom also receives the details of the 20 largest corporate exposures and the total list of Classified Accounts, pursuant to the guidelines of the Credit Risk Policy.

ALCO oversees the compliance of the Risk Appetite Framework and compliance to which is reported quarterly to the RiskCom and the ExCom. In addition to the reports which are sent to the RiskCom and to the ExCom on risks covering credit, market and operational risks, the Bank through the Risk Management Group also prepares the annual Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Stress Testing reports to SAMA which are approved by the RiskCom and ExCom prior to submission to SAMA. The ICAAP and ILAAP are two of the most important risk assessment documents used to report the risk attributes being measured and monitored to the Bank's Senior Management and the Board Committees. These reports are only released once approved by the RiskCom and ExCom.

**f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).**

The Bank performs stress testing to model its resilience under extreme but potential conditions arising from macroeconomic, strategic, political and business environmental factors, among others.

The potential unfavorable effects of stress scenarios, to the institution's risk weighted assets and capital adequacy are modeled to assess the Bank's resiliency in terms of solvency, liquidity and profitability. The following are the key risk indicators:

i. Asset's quality - increase/decrease in nonperforming assets measured in terms of ratio to financing assets.
ii. Profitability - increase/decrease in the accounting profit/loss.
iii. Capital adequacy – measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR).
iv. Liquidity position - measured in terms of changes in key liquidity indicators.

**g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.**

**1. Credit Risk**

Risk Management, as a pivotal stakeholder, oversees the policies governing financing and is responsible for the regular review and updating of the Bank's credit policies, guidelines, and processes. This ensures that credit risks are managed within the Bank's defined risk appetite and that potential credit-related losses are minimized. Additionally, Risk Management ensures that credit policies remain aligned with evolving economic conditions, market trends, and regulatory and legal requirements.

The Bank actively manages a diverse range of credit portfolios to mitigate concentration risk. Portfolio diversification is carefully controlled across several dimensions, including economic activity, geography, and underlying products. The Bank seeks to broaden its credit portfolios by acquiring customers from a variety of industries, economic sectors, and geographic regions, targeting large, medium, and small corporate clients, as well as individual clients. Monitoring of obligor and sector concentrations is essential to assess exposure to specific types of financing risks. To further safeguard its credit risk profile, the Bank regularly conducts stress tests on its credit portfolios to evaluate the potential impact of adverse factors on asset quality, risk ratings, profitability, and capital allocations.

**Write offs**

The Bank writes off any financing exposure in whole or in part, only when it has exhausted all practical recovery and remedial efforts and has concluded that there is no reasonable expectation of recovery in the foreseeable future. The write off are made after obtaining required approval. The write-off does not dilute the Bank's recovery and collection efforts including legal recourse.

**2. Market Risk**

Market risk is controlled by setting market risk limits (including position limits) and implementing risk policies that not only meet regulatory requirements but also are designed to mitigate and/or cap potential exposure. . The Market Risk Management Team under the Risk Management, independently monitors the market risk exposure of the Bank and prepares regular reports for the ALCO, through the CRO.

ALCO is responsible for monitoring the market risk exposure against the approved Risk Appetite Framework and the Treasury Risk Policy. ALCO's primary objective is to manage volatility in earnings, control the liquidity risk at the Bank level with reporting to the RiskCom, ExCom, Board and the local regulators.

**3. Operational Risk**

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through RCSA along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

**4. Sharia'h Non-Compliance**

The Sharia'h Compliance Framework is the basis for implementing Sharia compliance. The Sharia Compliance Framework is the enterprise-wide Sharia management plan consisting of Sharia'h Governance Structure, systems processes and control to be undertaken by relevant business entities across the group. Sharia governance is affected through the following functions:

i. Sharia Review;
ii. Sharia Advisory & Research;
iii. Sharia Audit.
iv. Sharia Committee.

The Sharia'h Committee is responsible to:

i. Advise the Board on Sharia matters in its business operations;
ii. Endorse Sharia Compliance Manual and Framework;
iii. Endorse and validate relevant transactions and documentation;
iv. Advise the Bank on the computation and distribution of Zakat;
v. Assist related parties on Sharia matters;
vi. Provide written Sharia opinions.

The control structure for handling and reporting Sharia'h non-compliance and Potential Sharia' Non-compliance is in place. Key measures undertaken by the Bank for managing Sharia'h Compliance risk include having in place the following processes:

i. Awareness and Communication;

ii. Identification and assessment;
iii. Mitigation and control; and
iv. Monitoring and reporting.

**5. Liquidity Risk**

In terms of day-to-day liquidity management, the Treasury Group ensures sufficient funding to meet its intraday payments and all settlement obligations on a timely basis.

The process of managing liquidity risk includes:

i. Maintaining sufficient amounts as unencumbered high quality liquidity buffer - a protection against any unforeseen interruptions to cash flow;
ii. Managing short-term and long-term cash flows via maturity mismatch report and various indicators;
iii. Monitoring depositor concentration at Bank level to avoid undue reliance on large fund providers;
iv. Diversifying funding sources to ensure proper funding mix;
v. Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR are maintained at the required minimum;
vi. Constant review and assessment of the Contingency Funding Plan;
vii. Conducting biannually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans.

All liquidity policies and procedures are covered by the Liquidity Risk Policy, the Treasury Risk Policy and the Risk Appetite Framework and Policy, which are subject to review and Oversight by ALCO and approval by ExCom.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise overnight funds through special investment arrangement facilities with SAMA (i.e. Murabaha with SAMA). The Bank estimates the Liquidity Risk based on the results of LCR and NSFR and the standard SAMA Liquidity Ratio.

**6. Profit Rate Risk in the Banking Book**

Profit rate risk arises from changes in profit rates which affect either the fair values or the future cash flows of profit-rate sensitive financial instruments in the Banking Book.

The Bank uses the EVE methodology and Income-based Approach to assess the Profit-Rate-Risk in the Banking Book (PRRBB whereby six scenario shocks (based on the revised IRRBB standards) are applied across the profit risk yield curve to measure the impact on the Bank's equity position resulting from changes of the values of all profit rate sensitive assets and liabilities.

**7. Macroeconomic and Business Cycle Risk**

The macroeconomic and business cycle risk is a combination of attributes that give rise to other risk types like credit, market or liquidity. The Bank has assessed this risk through the impact of the movement in macroeconomic factors (employed in the Bank's corporate credit portfolio. The major activity of the Bank is financing, so it is assumed that the impact of such risks would be primarily on the credit risk.

**8. Strategic and Reputational risks**

Strategic risk refers to the threat to earnings and profitability arising from strategic decisions, changes in business conditions and improper implementation of decisions. Thus, strategic risk arises from external causes, the adoption of wrong strategies

and the implementation of specific choices that cause losses to the Bank in the form of reduction of shareholder value, loss of earnings, etc. On the other hand, reputational risk refers to the potential adverse effects, which cause damage to the Bank's due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, negative/adverse publicity etc.

**9. Hedging**

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Bank and within the guidelines issued by SAMA.

The Bank has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Bank has established the level of profit rate risk by setting limits on profit rate gaps for stipulated periods. Asset and liability profit rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce commission rate gap within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to profit rate risks. This is generally achieved by hedging specific transactions.
The Bank uses profit rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as cash flow hedges.

**10. Cybersecurity risk**

The Cybersecurity Department works continuously to identify, mitigate, and monitor cybersecurity risk to minimize it to the acceptable level. This is achieved through solid policies and procedures for cybersecurity risk management, in alignment with the relevant regulations, to ensure cybersecurity risk engagement for all Bank activities. This includes but is not limited to new products, risks of third parties and cloud services, and the risk assessment of business groups. In addition, the Cybersecurity Department periodically performs vulnerability assessments and penetration testing covering the Bank's information assets and systems, in order to ensure their safety from security vulnerabilities.

**11. Fraud risk**

Counter Fraud Risk Management is an ongoing process that provides the Bank with the tools to manage fraud risk in a manner consistent with the regulatory requirements as well organizational needs A comprehensive fraud management program includes components such as a strong ethics policy, fraud awareness training, risk assessment, prevention measures, detection systems, and investigation protocols. In addition, the Bank successfully implemented SAMA framework controls. This involved adopting prescribed standards, policies, and procedures, establishing robust internal controls and risk management systems, continuously monitoring emerging fraud trends and techniques, and ensuring compliance within the organization.

**12. Other risks**

Alinma does not have an exposure to securitization risk. Geographic concentration risk is also immaterial as the Bank's operations are only limited in the Kingdom Also, Alinma is not be required to allocate additional capital charge for the Global Risk as it is covered under the "Macroeconomic and business cycle risk".

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## OV1: Overview of RWA

| | | a | b | c | Drivers behind significant differences in T and T-1 |
|---|---|---|---|---|---|
| | | RWA | | Minimum capital requirements | |
| | | T | T–1 | T | |
| | | **December 31, 2024** | September 30, 2024 | December 31, 2024 | |
| 1 | **Credit risk (excluding counterparty credit risk)** | **230,007,969** | **225,334,577** | **18,400,638** | Due to growth in assets and financing |
| 2 | Of which: standardized approach (SA) | 230,007,969 | 225,334,577 | 18,400,638 | Due to growth in assets and financing |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | - | - | - | |
| 4 | Of which: supervisory slotting approach | - | - | - | |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | - | - | - | |
| 6 | **Counterparty credit risk (CCR)** | **1,298,068** | **1,671,983** | **103,845** | Due to decrease in net derivatives |
| 7 | Of which: standardized approach for counterparty credit risk | 1,298,068 | 1,671,983 | 103,845 | |
| 8 | Of which: IMM | - | - | - | |
| 9 | Of which: other CCR | - | - | - | |
| 10 | **Credit valuation adjustment (CVA)** | **1,298,068** | **1,671,983** | **103,845** | |
| 11 | **Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period** | - | - | - | |
| 12 | **Equity investments in funds – look-through approach** | **2,919,159** | **2,480,959** | **233,533** | Due to growth in fund investments |
| 13 | **Equity investments in funds – mandate-based approach** | - | - | - | |
| 14 | **Equity investments in funds – fall-back approach** | - | - | - | |
| 15 | **Settlement risk** | - | - | - | |
| 16 | **Securitization exposures in banking book** | - | - | - | |
| 17 | Of which: securitization IRB approach (SEC-IRBA) | - | - | - | |
| 18 | Of which: securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA) | - | - | - | |
| 19 | Of which: securitization standardized approach (SEC-SA) | - | - | - | |

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## OV1: Overview of RWA

| | | a | b | c | |
|---|---|---|---|---|---|
| | | RWA | | Minimum capital requirements | Drivers behind significant differences in T and T-1 |
| | | T | T–1 | T | |
| | | **December 31, 2024** | September 30, 2024 | December 31, 2024 | |
| 20 | **Market risk** | **5,383,760** | **3,668,575** | **430,701** | Due to increase in net FX position |
| 21 | Of which: standardized approach (SA) | 5,383,760 | 3,668,575 | 430,701 | |
| 22 | Of which: internal model approach (IMA) | - | - | - | |
| 23 | **Capital charge for switch between trading book and banking book** | - | - | - | |
| 24 | **Operational risk** | **7,321,465** | **7,321,465** | **585,717** | |
| 25 | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | - | - | - | |
| 26 | Output floor applied | - | - | | |
| 27 | Floor adjustment (before application of transitional cap) | - | - | | |
| 28 | Floor adjustment (after application of transitional cap) | - | - | | |
| 29 | **Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)** | **248,228,490** | **242,149,543** | **19,858,279** | |

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## Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments

| | | a | |
|---|---|---|---|
| | | Quantitative / qualitative information | |
| 1 | Issuer | Alinma Bank | Alinma Bank |
| 2 | Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement) | SA15BFK0J7J5 | XS2753907554 |
| 3 | Governing law(s) of the instrument | Saudi Arabian law | English Law |
| 3a | Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law) | N/A | N/A |
| 4 | Transitional Basel III rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional Basel III rules | Eligible | Eligible |
| 6 | Eligible at solo/group/group and solo | Group & solo | Group & solo |
| 7 | Instrument type (refer to SACAP) | Jr Subordinated sukuk | Jr Subordinated Sukuk |
| 8 | Amount recognised in regulatory capital (currency in millions, as of most recent reporting date) | SAR 5,000 | USD 1,000 |
| 9 | Par value of instrument | SAR 5,000 | USD 1,000 |
| 10 | Accounting classification | Equity | Equity |
| 11 | Original date of issuance | July 1, 2021 | 6 March 2024 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | N/A | N/A |
| 14 | Issuer call subject to prior SAMA approval | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | In compliance with Basel III rules, call date is equal to or greater than 5 years and the Sukuk may be redeemed early due to a capital event, tax event or at the option of the Bank as described in the terms and conditions of the Sukuk | |
| 16 | Subsequent call dates, if applicable | As above | As above |
| | *Coupons / dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed from date of issue up to 2026 and then floating every 5 years | Fixed from date of issue up to 2029 and then floating every 5 years |
| 18 | Coupon rate and any related index | The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years. | The applicable profit rate is 6.5% per annum from date of issue up to 2029 and is subjected to reset every 5 years. |
| 19 | Existence of a dividend stopper | Yes | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary | Fully discretionary |

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## Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments

| | | a | |
|---|---|---|---|
| | | Quantitative / qualitative information | |
| 21 | Existence of step-up or other incentive to redeem | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger(s) | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A |
| 30 | Writedown feature | Yes | Yes |
| 31 | If writedown, writedown trigger(s) | Non-viability event | Non-viability event |
| 32 | If writedown, full or partial | Fully or partially. The Sukuk allow the Bank to write-down (in full or in part) any amounts due to the holders in the event of non-viability event with approval from SAMA. | Fully or partially. The Sukuk allow the Bank to write-down (in full or in part) any amounts due to the holders in the event of non-viability event with approval from SAMA. |
| 33 | If writedown, permanent or temporary | Permanent | Permanent |
| 34 | If temporary write-down, description of writeup mechanism | N/A | N/A |
| 34a | Type of subordination | Jr. Subordinated. | jr. Subordinated. |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | The financial instrument is junior to senior creditors. | The financial instrument is junior to senior creditors. |
| 36 | Non-compliant transitioned features | N/A | N/A |
| 37 | If yes, specify non-compliant features | N/A | N/A |

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# CC1 - Composition of regulatory capital

As of December 31, 2024

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| **Common Equity Tier 1 capital: instruments and reserves** | | | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 25,000,000 | A | |
| 2 | Retained earnings | 3,188,291 | C | |
| 3 | Accumulated other comprehensive income (and other reserves) | 4,706,941 | D | |
| 4 | Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies) | - | | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital) | - | | |
| 6 | **Common Equity Tier 1 capital before regulatory adjustments** | **32,895,232** | | |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | | |
| 7 | Prudent valuation adjustments | - | | |
| 8 | Goodwill (net of related tax liability) | - | | |
| 9 | Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability) | - | | |
| 10 | Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | - | | |
| 11 | Cash flow hedge reserve | 22,960 | | |
| 12 | Shortfall of provisions to expected losses | - | | |
| 13 | Securitisation gain on sale (as set out in SACAP4.1.4) | - | | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | | |
| 15 | Defined benefit pension fund net assets | - | | |
| 16 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | (203,958) | D | |
| 17 | Reciprocal cross-holdings in common equity | - | | |

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## CC1 - Composition of regulatory capital

**As of December 31, 2024**

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | | |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | | |
| 20 | MSR (amount above 10% threshold) | - | | |
| 21 | DTA arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | | |
| 22 | Amount exceeding the 15% threshold | - | | |
| 23 | Of which: significant investments in the common stock of financials | - | | |
| 24 | Of which: MSR | - | | |
| 25 | Of which: DTA arising from temporary differences | - | | |
| 26 | National specific regulatory adjustments | - | | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions | - | | |
| 28 | **Total regulatory adjustments to Common Equity Tier 1 capital** | **(180,998)** | | |
| 29 | **Common Equity Tier 1 capital (CET1)** | **32,714,234** | | |
| **Additional Tier 1 capital: instruments** | | | | |
| 30 | Directly issued qualifying additional Tier 1 instruments plus related stock surplus | 8,750,500 | **B** | |
| 31 | Of which: classified as equity under applicable accounting standards | 8,750,500 | **B** | |
| 32 | Of which: classified as liabilities under applicable accounting standards | - | | |
| 33 | Directly issued capital instruments subject to phase-out from additional Tier 1 capital | - | | |

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## CC1 - Composition of regulatory capital

As of December 31, 2024

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital) | - | | |
| 35 | Of which: instruments issued by subsidiaries subject to phase-out | - | | |
| 36 | **Additional Tier 1 capital before regulatory adjustments** | **8,750,500** | | |
| **Additional Tier 1 capital: regulatory adjustments** | | | | |
| 37 | Investments in own additional Tier 1 instruments | - | | |
| 38 | Reciprocal cross-holdings in additional Tier 1 instruments | - | | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | | |
| 41 | National specific regulatory adjustments | - | | |
| 42 | Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions | - | | |
| 43 | **Total regulatory adjustments to additional Tier 1 capital** | - | | |
| 44 | **Additional Tier 1 capital (AT1)** | **8,750,500** | | |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | **41,464,734** | | |
| **Tier 2 capital: instruments and provisions** | | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | | |
| 47 | Directly issued capital instruments subject to phase-out from Tier 2 capital | - | | |

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alinma bank

## CC1 - Composition of regulatory capital

As of December 31, 2024

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | - | | |
| 49 | Of which: instruments issued by subsidiaries subject to phase-out | - | | |
| 50 | Provisions | **2,576,153** | | |
| 51 | **Tier 2 capital before regulatory adjustments** | **2,576,153** | | |
| **Tier 2 capital: regulatory adjustments** | | | | |
| 52 | Investments in own Tier 2 instruments | - | | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | - | | |
| 54 | Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | | |
| 54a | Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only) | - | | |
| 55 | Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | | |
| 56 | National specific regulatory adjustments | - | | |
| 57 | **Total regulatory adjustments to Tier 2 capital** | - | | |
| 58 | **Tier 2 capital** | **2,576,153** | | |
| 59 | **Total regulatory capital (= Tier 1 + Tier2)** | **44,040,887** | | |
| 60 | **Total risk-weighted assets** | **248,228,490** | | |

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## CC1 - Composition of regulatory capital

As of December 31, 2024

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| **Capital adequacy ratios and buffers** | | | | |
| 61 | **Common Equity Tier 1 capital (as a percentage of risk-weighted assets)** | **13.18%** | | |
| 62 | **Tier 1 capital (as a percentage of risk-weighted assets)** | **16.70%** | | |
| 63 | **Total capital (as a percentage of risk-weighted assets)** | **17.74%** | | |
| 64 | **Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of riskweighted assets)** | **2.50%** | | |
| 65 | Of which: capital conservation buffer requirement | 2.50% | | |
| 66 | Of which: bank-specific countercyclical buffer requirement | 0.00% | | |
| 67 | Of which: higher loss absorbency requirement | 0.00% | | |
| 68 | **Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements** | **6.18%** | | |
| **National minima (if different from Basel III)** | | | | |
| 69 | National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum) | N/A | | |
| 70 | National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum) | N/A | | |
| 71 | National minimum Total capital adequacy ratio (if different from Basel III minimum) | N/A | | |
| | **Amounts below the thresholds for deduction (before risk-weighting)** | | | |
| 72 | Non-significant investments in the capital and other TLAC liabilities of other financial entities | N/A | | |
| 73 | Significant investments in the common stock of financial entities | N/A | | |
| 74 | MSR (net of related tax liability) | N/A | | |
| 75 | DTA arising from temporary differences (net of related tax liability) | N/A | | |

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## CC1 - Composition of regulatory capital

As of December 31, 2024

| | | a | b | Commentary to explain any significant changes over the reporting period and the key drivers of such change |
|---|---|---|---|---|
| | | Amounts SAR 000's | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation | |
| | **Applicable caps on the inclusion of provisions in Tier 2 capital** | | | |
| 76 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap) | 2,576,153 | | |
| 77 | Cap on inclusion of provisions in Tier 2 capital under standardised approach | 2,911,589 | | |
| 78 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings based approach (prior to application of cap) | - | | |
| 79 | Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach | - | | |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | | | | |
| 80 | Current cap on CET1 instruments subject to phase-out arrangements | - | | |
| 81 | Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities) | - | | |
| 82 | Current cap on AT1 instruments subject to phase-out arrangements | - | | |
| 83 | Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities) | - | | |
| 84 | Current cap on Tier 2 instruments subject to phase-out arrangements | - | | |
| 85 | Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities) | - | | |

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## CC2 - Reconciliation of regulatory capital to balance sheet

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
| | | As at December 31, 2024 SAR 000's | As at December 31, 2024 SAR 000's | |
| **Assets** | | | | |
| 1 | Cash and balances at central banks | 13,849,670 | 13,849,670 | |
| 2 | Items in the course of collection from other banks | - | - | |
| 3 | Trading portfolio assets | - | - | |
| 4 | Financial assets designated at fair value | 16,893,483 | 16,893,483 | |
| 5 | Derivative financial instruments | 505,417 | 505,417 | |
| 6 | Due from banks and other financial institutions | 3,706,335 | 3,706,335 | |
| 7 | Loans and advances to customers | 202,308,094 | 202,308,094 | |
| 8 | Reverse repurchase agreements and other similar secured lending with banks and other financial institutions | 803,807 | 803,807 | |
| 9 | Investments held at amortized cost | 31,681,460 | 31,681,460 | |
| 10 | Current and deferred tax assets | - | - | |
| 11 | Prepayments, accrued income and other assets | 3,628,082 | 3,628,082 | |
| 12 | Investments in associates and joint ventures | 50,267 | 50,267 | |
| 13 | Goodwill and intangible assets | 800,635 | 800,635 | |
| | Of which: goodwill | - | - | |
| | Of which: other intangibles (excluding MSR) | 800,635 | 800,635 | |
| | Of which: Mortgage servicing rights (MSR) | - | - | |
| 14 | Property, plant and equipment | 2,600,231 | 2,600,231 | |
| **15** | **Total assets** | **276,827,481** | **276,827,481** | |
| | | | | |
| 16 | Due to SAMA, banks and other financial institutions | 11,385,699 | 11,385,699 | |
| 17 | Items in the course of collection due to other banks | - | - | |
| 18 | Customer deposits | 210,544,650 | 210,544,650 | |
| 19 | Repurchase agreements and other similar secured borrowing | 2,550,557 | 2,550,557 | |
| 20 | Trading portfolio liabilities | - | - | |
| 21 | Financial liabilities designated at fair value | - | - | |
| 22 | Derivative financial instruments | 436,626 | 436,626 | |
| 23 | Debt securities in issue | - | - | |
| 24 | Accruals, deferred income and other liabilities | 8,148,742 | 8,148,742 | |
| 25 | Current and deferred tax liabilities | - | - | |

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## CC2 - Reconciliation of regulatory capital to balance sheet

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
| | | As at December 31, 2024 SAR 000's | As at December 31, 2024 SAR 000's | |
| | Of which: deferred tax liabilities (DTL) related to goodwill | - | - | |
| | Of which: DTL related to intangible assets (excluding MSR) | - | - | |
| | Of which: DTL related to MSR | - | - | |
| 26 | Subordinated liabilities | - | - | |
| 27 | Provisions | 1,781,960 | 1,781,960 | |
| 28 | Retirement benefit liabilities | 537,472 | 537,472 | |
| **29** | **Total liabilities** | **235,385,706** | **235,385,706** | |
| | | | | |
| 30 | Paid-in share capital and Tier 1 sukuk | 33,750,500 | 33,750,500 | |
| | Of which: amount eligible for CET1 capital | 25,000,000 | 25,000,000 | A |
| | Of which: amount eligible for AT1 capital | 8,750,500 | 8,750,500 | B |
| 31 | Retained earnings | 3,188,291 | 3,188,291 | C |
| 32 | Accumulated other comprehensive income and treasury shares | 4,502,984 | 4,502,984 | D |
| **33** | **Total shareholders' equity** | **41,441,775** | **41,441,775** | |

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## CDC: Capital distribution constraints

| | | a | b | |
|---|---|---|---|---|
| | | CET1 capital ratio that would trigger capital distribution constraints (%) | Current CET1 capital ratio (%) | Constrains imposed |
| 1 | CET1 minimum requirement plus Basel III buffers (not taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios) | N/A | 13.18% | N/A |
| 2 | CET1 capital plus Basel III buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios) | N/A | 13.18% | N/A |
| | | **Leverage ratio that would trigger capital distribution constraints (%)** | **Current leverage ratio (%)** | |
| 3 | [Applicable only for G-SIBs] Leverage ratio | N/A | 13.73% | N/A |

The Bank does not have any capital distribution constraints as of December 31, 2024.

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## LIA – Explanations of differences between accounting and regulatory exposure amounts

| Banks must explain the origins of the differences between accounting amounts, as reported in financial statements amounts and regulatory exposure amounts, as displayed in Templates LI1 and LI2. | | |
|---|---|---|
| a | Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in Template LI1. | None |
| b | Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in Template LI2. | None |
| c | In accordance with the implementation of the guidance on prudent valuation (see Basel Framework "prudent valuation guidance"), banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include:<br>(i) Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used.<br>(ii) Description of the independent price verification process.<br>(iii) Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument). | Not applicable |
| d | Banks with insurance subsidiaries must disclose:<br>(i) The national regulatory approach used with respect to insurance entities in determining a bank's reported capital positions (ie deduction of investments in insurance subsidiaries or alternative approaches, as discussed in Basel Framework "Scope and definitions" Banking, securities and other financial subsidiaries (Insurance entities); and<br>(ii) Any surplus capital in insurance subsidiaries recognized when calculating the bank's capital adequacy (see Basel Framework "Scope and definitions" Banking, securities and other financial subsidiaries (Insurance entities). | Not applicable |

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## LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

**As of December 31, 2024**

SR 000's

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying value of items: | | | | |
| | | | | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitization framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| **Assets** | | | | | | | | |
| 1 | Cash and balances at central banks | 13,849,670 | 13,849,670 | 13,849,670 | - | - | - | |
| 2 | Items in the course of collection from other banks | - | - | - | - | - | - | |
| 3 | Trading portfolio assets | - | - | - | - | - | - | |
| 4 | Financial assets designated at fair value | 16,893,483 | 16,893,483 | 16,269,519 | - | - | 623,964 | |
| 5 | Derivative financial instruments | 505,417 | 505,417 | - | 505,417 | - | - | |
| 6 | Due from banks and other financial institutions | 3,706,335 | 3,706,335 | 3,706,335 | - | - | - | |
| 7 | Loans and advances to customers | 202,308,094 | 202,308,094 | 202,308,094 | - | - | - | |
| 8 | Reverse repurchase agreements and other similar secured lending with banks and other financial institutions | 803,807 | 803,807 | 803,807 | - | - | - | - |
| 9 | Investments held at amortized cost | 31,681,460 | 31,681,460 | 31,681,460 | - | - | - | - |
| 10 | Current and deferred tax assets | - | - | - | - | - | - | - |
| 11 | Prepayments, accrued income and other assets | 3,628,082 | 3,628,082 | 3,628,082 | - | - | - | - |



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## LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

As of December 31, 2024

SR 000's

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying value of items: | | | | |
| | | | | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitization framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| 12 | Investments in associates and joint ventures | 50,267 | 50,267 | 50,267 | - | - | - | - |
| 13 | Goodwill and intangible assets | 800,635 | 800,635 | 800,635 | - | - | - | - |
| | Of which: goodwill | - | - | - | - | - | - | - |
| | Of which: other intangibles (excluding MSR) | 800,635 | 800,635 | 800,635 | - | - | - | - |
| | Of which: Mortgage servicing rights (MSR) | - | - | - | - | - | - | - |
| 14 | Property, plant and equipment | 2,600,231 | 2,600,231 | 2,600,231 | - | - | - | - |
| **Total Assets** | | **276,827,481** | **276,827,481** | **275,698,100** | **505,417** | **-** | **623,964** | **-** |
| **Liabilities** | | | | | | | | |
| 11 | Due to SAMA, banks and other financial institutions | 11,385,699 | 11,385,699 | - | - | - | - | 11,385,699 |
| 12 | Items in the course of collection due to other banks | - | - | - | - | - | - | - |
| 13 | Customer deposits | 210,544,650 | 210,544,650 | - | - | - | - | 210,544,650 |
| 14 | Repurchase agreements and other similar secured borrowings | 2,550,557 | 2,550,557 | - | - | - | - | 2,550,557 |
| 15 | Trading portfolio liabilities | - | - | - | - | - | - | - |



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# LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

**As of December 31, 2024**

**SR 000's**

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying value of items: | | | | |
| | | | | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitization framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| 16 | Financial liabilities designated at fair value | - | - | - | - | - | - | - |
| 17 | Derivative financial instruments | 436,626 | 436,626 | - | - | - | - | 436,626 |
| 18 | Debt securities in issue | - | - | - | - | - | - | - |
| 19 | Accruals, deferred income and other liabilities | 8,148,742 | 8,148,742 | - | - | - | - | 8,148,742 |
| 20 | Current and deferred tax liabilities | - | - | - | - | - | - | - |
| | Of which: deferred tax liabilities (DTL) related to goodwill | - | - | - | - | - | - | - |
| | Of which: DTL related to intangible assets (excluding MSR) | - | - | - | - | - | - | - |
| | Of which: DTL related to MSR | - | - | - | - | - | - | - |
| 21 | Subordinated liabilities | - | - | - | - | - | - | - |
| 22 | Provisions | 1,781,960 | 1,781,960 | - | - | - | - | 1,781,960 |
| 23 | Retirement benefit liabilities | 537,472 | 537,472 | - | - | - | - | 537,472 |
| **Total Liabilities** | | **235,385,706** | **235,385,706** | **-** | **-** | **-** | **-** | **235,385,706** |



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## LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

**As of December 31, 2024**

**SR 000's**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | **Items subject to:** | | | |
| | | **Total** | **Credit risk framework** | **Securitization framework** | **Counterparty credit risk framework** | **Market risk framework** |
| 1 | Asset carrying value amount under scope of regulatory consolidation (as per Template LI1) | 276,827,481 | 275,698,100 | - | 505,417 | 623,964 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1) | - | - | - | - | - |
| 3 | **Total net amount under regulatory scope of consolidation (Row 1 - Row 2)** | **276,827,481** | **275,698,100** | **-** | **505,417** | **623,964** |
| 4 | Off-balance sheet amounts | 23,334,341 | 23,334,341 | - | - | |
| 5 | Differences in valuations | - | - | - | - | |
| 6 | Differences due to different netting rules, other than those already included in row 2 | - | - | - | - | |
| 7 | Differences due to consideration of provisions | 2,576,153 | 2,576,153 | - | - | |
| 8 | Differences due to prudential filters | - | - | - | - | |
| 9 | - | - | - | - | - | |
| 10 | **Exposure amounts considered for regulatory purposes** | 302,737,975 | 301,608,594 | - | 505,417 | |



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| ENC: Asset encumbrance | | | | |
|---|---|---|---|---|
| As of December 31, 2024 | | | | SR 000's |
| | | a | b | c |
| | | Encumbered Assets | Unencumbered Assets | Total |
| 1 | The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired | 2,534,673 | 274,292,808 | 276,827,481 |



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## REMA: Remuneration policy

| | |
|---|---|
| **a** | **Information relating to the bodies that oversee remuneration.** |
| | (i) The Bank's remuneration is overseen by the Nomination and Remuneration Committee (NRC) Comprising of 4 Members & Board of Directors (BOD) comprising of 9 members. Their mandate is to approve policies related to remuneration as well as the amount of remuneration given to Senior Management and other Key employees; specially those requiring SAMA No-Objection.<br>(ii) the services of two main consultancy bodies where utilized; for Salary & Benefits Benchmarking and for Advice & Support in relation to the new Jan 2023 SAMA Rules on Remuneration.<br>(iii) the banks remuneration policy relates to bank employees which is approved by the board, and Bank subsidiaries are governed by their own remuneration policies and approved by their own boards.<br>(iv) In the bank, Material Risk Takers are defined as "employees who sit within business areas / divisions / subsidiaries engaged in risk taking activities (Retail Banking, Corporate, Treasury, selected subsidiary departments). They are officers who have direct responsibility and are the key drivers in undertaking business transactions and managing business risks. Such officers may be undertaking these risks on an individual basis or overseeing a group of employees undertaking such risks." and Senior Managers as the CEO and his direct reports. |
| **b** | **Information relating to the design and structure of remuneration processes** |
| | (i) Alinma Bank's reward system is designed to reinforce the business strategy, culture, and customer offering; promote value creating behavior; ensure effective risk management; and to drive a high-performance oriented culture, rewarding employees for growing the business in a sustainable way<br>(ii) during 2023, the Nomination and Remumeration Committee reviewed the fully revamped Bank remuneration policy that has been aligned with the new Jan 2023 SAMA Rules on Remuneration. Key changes are mainly related to variable pay and specifically the increase of the deferred bonus percentage.<br>(iii) The Bank ensures that the remunerations of the employees in Risk and Compliance are not affected by the businesses they oversee. |
| **c** | **Description of the ways in which current and future risks are taken into account in the remuneration processes** |
| | Remuneration Risk is the risk associated with the compensation (fixed and variable), pay mix, design, structure and the remuneration system employed within the Bank, which has the potential to impact the functionality of the organization adversely. Inadequate pay system, design and structure could lead to negative potential impact related to liquidity, capital adequacy, employee dissatisfaction, misconduct, operating income, and last but not least the reputation of the Bank.<br><br>The Bank has established extensive Policies and Procedures that guide the manner by which the business and other supporting organizations are implemented and managed. The Bank's appetite for Remuneration risk is very low. Effective governance structure, policies, control, and oversight mechanisms are put in place for managing Remuneration risk and these mechanisms are expected to reduce the likelihood and resilience of Remuneration risk in the Bank. |
| **d** | **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration** |
| | (i) The bank uses the balance scorecard which includes financial, non-financial, and competencies.<br>(ii) The individual remuneration Fixed pay is based on Market Rates and the Variable Pay based on performance. the accrued budget for the variable pay is based on the targeted financial results, however this is updated and adjusted based on the real financial results.<br>(iii) in the eventuality that the bank does not achieve its financial targets, the variable pay budget will be reduced accordingly. |

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| | |
|---|---|
| **e** | **Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance** |
| | (i) The bank deferred a proportion of the variable for managers and above in terms of shares and the amount deferred increases with seniority. All deferred are vestered equally over 3 years.<br>(ii) the bank policies allows at any level, for both holdback on future variable pay as well as clawback on past variable pay, based on strict criteria. |
| **f** | **Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms** |
| | (i) The bank's variable pay is comprised of both an immediate cash bonus payout and a deferred share based award.<br>(ii) The Variable pay ratio of cash to deferred changes with seniority with the most seniors receiving more of their variable pay in the form of deferred shares. |

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## REM1: Remuneration awarded during the financial year

**Financial year ended December 31, 2024**

SR 000's

| Remuneration Amount | | | a | b |
|---|---|---|---|---|
| | | | **Senior management, as defined in SAMA circular No.42081293 date 21/11/1442AH** | **Other material risktakers*** |
| 1 | Fixed Remuneration | Number of employees | 37 | 65 |
| 2 | | **Total fixed remuneration (rows 3 + 5 + 7)** | **64,170** | **56,892** |
| 3 | | Of which: cash-based | 64,170 | 56,892 |
| 4 | | Of which: deferred | | |
| 5 | | Of which: shares or other share-linked instruments | | |
| 6 | | Of which: deferred | | |
| 7 | | Of which: other forms | | |
| 8 | | Of which: deferred | | |
| 9 | Variable Remuneration | Number of employees | | |
| 10 | | **Total variable remuneration (rows 11 + 13 + 15)** | **37,817** | **21,928** |
| 11 | | Of which: cash-based | 25,338 | 15,886 |
| 12 | | Of which: deferred | | |
| 13 | | Of which: shares or other share-linked instruments | 12,479 | 6,042 |
| 14 | | Of which: deferred | 12,479 | 6,042 |
| 15 | | Of which: other forms | | |
| 16 | | Of which: deferred | | |
| **17** | **Total remuneration (2 + 10)** | | **101,987** | **78,820** |

* *Other material risk takers are defined in REMA (a) iv. See Note 22 of the 2024 Annual FS for the remuneration of all employees engaged in risk-taking activities*



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## REM2: Special payments

Financial year ended December 31, 2024

SR 000's

| Special Payments | | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
|---|---|---|---|---|---|---|---|
| | | Number of employees | Total amount | Number of employees | Total amount | Number of employees | Total amount |
| 1 | Senior Management | - | - | 3 | 3,120 | - | - |
| 2 | Other material risk-takers | - | - | 2 | 300 | 6 | 4,664 |



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## REM3: Deferred remuneration

As of December 31, 2023

SR 000's

| | Deferred and retained remuneration | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Total amount of outstanding deferred remuneration | Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit adjustments | Total amount of amendment during the year due to ex post implicit adjustments | Total amount of deferred remuneration paid out in the financial year |
| 1 | Senior Management | 27 | - | - | - | 28 |
| 2 | Cash | - | - | - | - | - |
| 3 | Shares | 45,087 | - | - | - | 12,479 |
| 4 | Cash linked instruments | - | - | - | - | - |
| 5 | Other | - | - | - | - | - |
| 6 | Other material risk-takers | 65 | - | - | - | 71 |
| 7 | Cash | - | - | - | - | - |
| 8 | Shares | 9,250 | - | - | - | 2,933 |
| 9 | Cash linked instruments | - | - | - | - | - |
| 10 | Other | - | - | - | - | - |
| **11** | **Total** | **54,338** | **-** | **-** | **-** | **15,412** |



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# CRA: General qualitative information about credit risk

| a | How the business model translates into the components of the bank's credit risk profile. |
|---|---|
| | Alinma as a premier full-service Sharia compliant institution is committed in all its dealings to adhering to the highest standards of Sharia compliant banking. The Bank's enterprise risk management objective is to maximize return to shareholders by optimizing the use of the Bank's risk capital. The Bank assesses market and service strategies based on a thorough understanding of the financial results of those strategies, including measurement and calculation of the exposure to risk and/or loss, and the consumption of risk capital required to implement those strategies. The Bank recognizes and clearly understands the importance of statutory and regulatory requirements and guidelines and diligently complies with these in all risk decisions. The Bank is committed to a strong pro-active credit process to ensure that credit risk falls within the institutional risk appetite framework. This framework establishes and communicates the level and diversity of risks that the Bank seeks and tolerates in order to achieve its business goals while maintaining a balance between risks and rewards. TM (Target Market) is a key component of this process as it provides the tools to filter prospective and existing obligors in order to avoid initiating or keeping relationships that would not fit the Bank's strategy and desired risk profile. Meticulously designed RAC (Risk Acceptance Criteria) establishes the requirements under which the Bank is willing to initiate and/or maintain a credit relationship with companies which fall under its target market. The front-end business team is primarily responsible for originating, evaluating and recommending credit proposals. Approvals are granted in accordance with the Board approved Credit Approval Authority Delegation Matrix, the Credit Committee Charter, Corporate Banking and Retail Banking Credit Policy Guidelines, and Risk Appetite Framework and Policy. |
| **b** | **Criteria and approach used for defining credit risk management policy and for setting credit risk limits.** |
| | The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, credit policies framework, and extensive due diligence process. The credit review and approval process are ably supported with stringent credit administration control and credit limit monitoring functions. Obligors are assigned risk ratings using well established rating models hosted on the robust Moody's platform called CreditLens which is used by many leading banks in the Kingdom and globally. The risk rating is designed with through-the-cycle approach with a 12-month time horizon for probability of default (PD) estimation. The Bank assigns a rating from a 10-point rating scale with 1 as the best through 10 as the worst. The rating uses sub-grades (e.g., 3+, 3, and 3- ) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of 6- or better are eligible for new financing facilities. The Bank reviews and validates the Moody's CreditLens rating system on a regular basis and calibrates the score ranges as and when required with rating grades and associated PDs.<br><br>All credit exposures are subject to ongoing monitoring and annual review activity, which may result in an exposure being moved to a different credit risk grade due to various qualitative and quantitative obligor-specific factors such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment. To manage concentration risk, the Bank has set targets for portfolio mix and exposure limits on significant risk concentration areas. Risk concentration areas include single counterparties and groups of connected counterparties, specific industries or economic sectors, geographic regions, specific products, collateral types, or any other concentration area deemed of risk.<br><br>Credit risks in the retail portfolio are estimated based on individual creditworthiness scores, derived from an automated credit scoring model. The credit scoring model for the retail portfolio is adequately designed to assess an obligor's risk using borrower-specific characteristics and historical credit information obtained from the credit bureau (SIMAH) |

| c | Structure and organization of the credit risk management and control function |
|---|---|
| | All financing activities are only undertaken in accordance with documented and approved policies and procedures which are accessible to all relevant staff and are effectively implemented. These documents (manuals, programs, bulletins, etc.) clearly define the applicable risk measures and controls. The Business Units (CBG, RBG and Treasury) initiate the origination of accounts based on Credit Policy Guidelines.<br><br>The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, credit policies framework, and extensive due diligence process. The credit review and approval process are ably supported with stringent credit administration control and credit limit monitoring functions.<br><br>Once the credit is approved, the Credit Administration and Control Unit ensures that all terms and conditions of approval are captured in the legal documentation, all facility and supporting documents are in order, and all securities and collaterals are received and lodged in the required custodianship unit.<br><br>All credit exposures are subject to on-going monitoring and annual review activity, which may result in an exposure being moved to a different credit risk grade due to various qualitative and quantitative obligor-specific factors such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment. Credit risks in the retail portfolio are estimated based on individual creditworthiness scores, derived from an automated credit scoring model.<br><br>There is a clear delineation and segregation of duties between the Business Unit and Credit Management in reviewing and approving the credit in the first instance, and in managing the documentation and controlling the limits through the Credit Administration's Documentation and Limit Control Units.<br><br>Subject to the established credit policies, credit limits may be withdrawn or suspended if an account does not meet certain conditions or the scheduled annual review is not completed or is not granted a formal extension by the Credit Committee.. |
| d | **Relationships between the credit risk management, risk control, compliance and internal audit functions** |
| | As a premier Islamic banking institution, Alinma places strong emphasis on high standards of transparency, integrity, ethical accountability, and professionalism on all cross functional areas in the pursuit of its goals. Risk Management is the second line of defense and as a key stakeholder controls the policies established for financing. Risk Management regularly reviews the Bank's credit policies, guidelines, and processes to ensure that credit risk is managed and controlled within the Risk Appetite Criteria of the Bank and credit-related losses are minimized. Risk Management also ensures that credit policies are aligned and adjusted on periodic basis in accordance with the economic, market, regulatory, and legal landscape. Credit Risk Management, a division under Risk Management, ensures that expected credit losses are adequately covered with provisions based on obligors' risk profiles in line with regulations.<br><br>The Bank is strongly committed to the Sharia'h compliant banking principles and practices. Accordingly, the Bank keeps Sharia'h non-compliance risks to the barest minimum and maintains a low tolerance towards any deviation/non-compliance with Sharia'h principles in its business practices.<br><br>The Bank has zero appetite for regulatory non-compliance. The Bank's Compliance Department ensures that all organizational and business processes of the Bank comply with all relevant laws and regulations.<br><br>In addition to the above, Business and Support units perform periodic Risk and Control Self-Assessment (RCSA) to identify, analyze, and evaluate operational risks in their respective units' activities.<br><br>Internal Audit evaluates independently the internal control of the overall risk profile, risk management governance, as well as the operating effectiveness of its policies and procedures. |

| e | **Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management.** |
|---|---|
| | The Risk Limits are proactively tracked, monitored and reported at a regular frequency to enable the Bank's Senior Management, Board Risk Committee (RiskCom), and Board Executive Committee (ExCom) to exercise appropriate oversight .The RiskCom and ExCom regularly receive portfolio reports covering existing approved limits, outstanding exposures, risk rating and sector concentrations, Large Exposures (as defined by prevalent SAMA regulations), past due and non-performing exposures, as well as specific and collective provisions. The ExCom also receives the details of the 20 Largest Corporate Exposures and the total list of Classified and Impaired Accounts, pursuant to the guidelines of the Credit Risk Policy.<br><br>All limits which govern the business of Corporate, Retail, and Treasury Groups are defined in the Board-approved Risk Appetite Framework and Policy. At a semiannual frequency, the Chief Risk Officer (CRO) presents the financing portfolio updates and key portfolio indicators to the RiskCom and ExCom, or more frequently as required. |

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## CR1: Credit quality of assets

**As of December 31, 2024**

**SR 000's**

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | Gross carrying values of | | Allowances/ impairments | Of which ECL accounting provisions for credit losses on SA exposures | | Of which ECL accounting provisions for credit losses on IRB exposures | Net values (a+b-c) |
| | Defaulted exposures | Non-Defaulted exposures | | Allocated in regulatory category of Specific | Allocated in regulatory category of General | | |
| Loans | 2,182,236 | 203,884,922 | 3,759,064 | 1,201,106 | 2,557,958 | - | 202,308,094 |
| Debt Securities | - | 44,699,003 | 17,161 | - | 17,161 | - | 44,681,842 |
| Off-balance sheet exposures | - | 23,334,341 | 1,111,549 | 528,349 | 583,200 | - | 22,222,792 |
| **Total** | **2,182,236** | **271,918,266** | **4,887,774** | **1,729,455** | **3,158,319** | **-** | **269,212,728** |

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## CR2: Changes in stock of defaulted loans and debt securities

**As of December 31, 2024**

**SR 000's**

| | | |
|---|---|---|
| 1 | **Defaulted loans and debt securities at end of the previous reporting period** | 1,518,480 |
| 2 | Loans and debt securities that have defaulted since the last reporting period, net of settlements and accruals | 697,698 |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written off | (33,942) |
| 5 | Other changes | - |
| **6** | **Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)** | **2,182,236** |

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## CR3: Credit risk mitigation techniques - overview

As of December 31, 2024

SR 000's

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| 1 | Loans | 133,962,416 | 68,345,678 | 68,345,678 | - | - |
| 2 | Debt securities | 44,681,842 | - | - | - | - |
| 3 | **Total** | **178,644,258** | **68,345,678** | **68,345,678** | **-** | **-** |
| 4 | Of which defaulted | 1,791,614 | 390,622 | 390,622 | - | - |

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## CR4: Standardized approach – credit risk exposure and credit risk mitigation (CRM) effects

**As of December 31, 2024** **SR 000's**

| | Asset Classes | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Exposures before CCF and CRM | | Exposures post-CCF and post- CRM | | RWA and RWA Density | |
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA Density |
| 1 | Sovereigns and their central banks | 45,945,483 | - | 45,945,483 | - | 145,144 | 0.32% |
| 2 | Non-central government public sector entities | 166,679 | - | 166,679 | - | 83,339 | 50% |
| 3 | Multilateral development banks | 94,948 | - | 94,948 | - | - | 0% |
| 4 | Banks | 5,002,451 | 1,479,608 | 5,002,451 | 876,809 | 1,715,232 | 29% |
| | Of which: securities firms and other FIs | - | - | - | - | - | 0% |
| 5 | Covered bonds | - | - | - | - | - | 0% |
| 6 | Corporates | 158,440,562 | 78,737,554 | 156,474,045 | 22,457,532 | 177,817,674 | 99% |
| | Of which: securities firms and other FIs | - | - | - | - | - | 0% |
| | Of which: specialized lending | 33,672,194 | 10,228,052 | 33,671,055 | 3,758,592 | 41,099,470 | 110% |
| 7 | Subordinated debt, equity and other capital | 5,848,619 | - | 5,848,619 | - | 9,168,288 | 157% |
| 8 | Retail exposures | 25,034,768 | - | 25,034,768 | - | 20,839,323 | 83% |
| | MSMEs | 842,667 | - | 842,667 | - | 632,000 | 75% |
| 9 | Real estate | 24,943,062 | - | 24,893,173 | - | 12,244,312 | 49% |
| | Of which: general RR | 23,248,757 | - | 23,223,416 | - | 9,739,677 | 42% |
| | Of which: IPRRE | - | - | - | - | - | 0% |
| | Of which: general CRE | - | - | - | - | - | 0% |
| | Of which: IPCR | - | - | - | - | - | 0% |
| | Of which: land ADC | 1,694,305 | - | 1,669,757 | - | 2,504,635 | 150% |
| 10 | Defaulted exposures | 2,182,236 | - | 981,130 | - | 965,708 | 98% |
| 11 | Other assets | 8,976,934 | - | 8,976,933 | - | 7,028,948 | 78% |
| 12 | **Total** | **276,635,739** | **80,217,162** | **273,418,227** | **23,334,341** | **230,007,969** | **78%** |



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## CR5: Standardized approach - exposures by asset classes and risk weights

**As of December 31, 2024** **SR 000's**

| | | 0% | 20% | 30% | 50% | 75% | 80% | 85% | 100% | 130% | 150% | Other | Total credit exposure (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Sovereigns and their central banks** | 45,770,044 | 37,869 | | - | | | | 137,570 | | - | - | 45,945,483 |
| 2 | **Non-central government public sector entities** | | - | | 166,679 | | | | - | | - | - | 166,679 |
| 3 | **Multilateral development banks** | 94,948 | - | - | - | | | | - | | - | - | 94,948 |
| 4 | **Banks** | | 3,952,412 | 1,455,947 | 19,399 | - | | | 397,971 | | 53,530 | - | 5,879,259 |
| | Of which: securities firms and other FIs | | - | - | - | - | | | - | | - | - | - |
| 5 | **Covered bonds** | | - | | - | | | | - | | | - | - |
| 6 | **Corporates** | | 3,502 | | 9,872,584 | 1,541,769 | 7,453,846 | 9,277,655 | 129,715,331 | 17,201,976 | 3,864,914 | - | 178,931,577 |
| | Of which: general corporate | | 3,502 | | 9,872,584 | 1,541,769 | | 9,277,655 | 116,941,506 | | 3,864,914 | - | 141,501,930 |
| | Of which: securities firms and other FIs | | - | | - | - | | - | - | | - | - | - |
| | Of which: specialized lending | | - | | - | - | 7,453,846 | | 12,773,825 | 17,201,976 | - | - | 37,429,647 |
| 7 | **Subordinated debt, equity and other capital** | | - | | - | - | - | | - | - | 1,895,016 | 3,953,603 | 5,848,619 |



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SAR 000's

| | | 0% | 20% | 30% | 50% | 75% | 80% | 85% | 100% | 130% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | **Retail** | | | | | 16,781,779 | | | 8,252,989 | | | - | 25,034,768 |
| | MSMEs | | | | | 842,667 | | | - | | | - | 842,667 |
| 9 | **Real estate** | - | 4,417,707 | - | 6,054,864 | - | | - | - | | 1,669,757 | 12,750,845 | 24,893,173 |
| | Of which: general RRE | - | 4,417,707 | - | 6,054,864 | - | - | - | - | - | - | 12,750,845 | 23,223,416 |
| | Of which: no loan splitting applied | - | 4,417,707 | - | 6,054,864 | - | - | - | - | - | - | 12,750,845 | 23,223,416 |
| | Of which: loan splitting applied (Secured) | | - | | | | | | | | | - | - |
| | Of which: loan splitting applied (Unsecured) | - | - | - | - | - | - | - | - | | - | - | - |
| | Of which: IPRRE | | | - | | - | - | | | | - | - | - |
| | Of which: general CRE | - | - | - | - | - | - | - | - | | - | - | - |
| | Of which: no loan splitting applied | - | - | - | - | | | | | | | - | - |
| | Of which: loan splitting applied (Secured) | | | | | | | | | | | - | - |
| | Of which: loan splitting applied (Unsecured) | - | - | - | - | - | - | | - | | - | - | - |
| | Of which: IPCRE | | | | | | | | - | | - | - | - |
| | Of which: land ADC | | | | | | | | | | 1,669,757 | - | 1,669,757 |
| 10 | **Defaulted exposures** | | | | 30,881 | | | | 950,212 | | 37 | - | 981,130 |
| 11 | **Other assets** | 1,947,985 | - | | | | | | 7,028,948 | | | - | 8,976,933 |
| **12** | **Total** | **47,812,977** | **8,411,490** | **1,455,947** | **16,144,407** | **18,323,547** | **7,453,846** | **9,277,655** | **146,483,021** | **17,201,976** | **7,483,254** | **16,704,448** | **296,752,568** |



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## Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

As of December 31, 2024 SR 000's

| | | a | b | c |
|---|---|---|---|---|
| Risk Weight | | On-balance sheet exposure | Off-balance sheet exposure (pre-CCF) | Weighted average CCF*Exposure (post-CCF and post CRM) |
| 1 | Less than 40% | 57,036,421 | 1,071,465 | 57,680,413 |
| 2 | 40-70% | 16,114,124 | 40,435 | 16,144,407 |
| 3 | 75% | 18,322,117 | 1,430 | 18,323,547 |
| 4 | 80- 85% | 16,419,160 | 2,340,384 | 16,731,501 |
| 5 | 90-100% | 127,413,121 | 68,908,139 | 146,483,021 |
| 6 | 105-130% | 14,169,359 | 7,599,415 | 17,201,976 |
| 7 | 150% | 7,239,476 | 255,893 | 7,483,254 |
| 8 | 250% | - | - | - |
| 9 | 400% | - | - | - |
| 10 | 1250% | - | - | - |
| 11 | Others | 16,704,448 | - | 16,704,448 |
| **12** | **Total exposures** | **273,418,227** | **80,217,162** | **296,752,568** |



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# CRB: Additional disclosure related to the credit quality of assets

<table>
<tr><th colspan="2">Qualitative disclosures</th></tr>
<tr><td>a</td><td>The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. When the accounting framework is IFRS 9, "impaired exposures" are those that are considered "credit-impaired" in the meaning of IFRS 9 Appendix A.</td></tr>
<tr><td></td><td>The Bank's impairment framework is designed to ensure the accurate recognition of credit losses and the appropriate provision of allowances in accordance with International Financial Reporting Standards (IFRS9). The framework is integral to maintaining the financial health of the Bank, ensuring that all credit exposures are assessed for impairment and that sufficient provisions are made to absorb potential losses.<br><br>The Bank recognizes impairments on financial assets through an Expected Credit Loss (ECL) model, which applies a forward-looking approach to estimate potential credit losses. This model incorporates both historical data and forward-looking information to assess the credit quality of assets and to determine an appropriate impairment allowance. The ECL model is based on three stages of credit deterioration:<br><br>• Stage 1 - Performing Assets:<br>Financial assets that have not experienced significant credit deterioration since initial recognition. A 12-month ECL is recognized in this stage.<br><br>• Stage 2 - Underperforming Assets:<br>Financial assets that have shown significant credit deterioration since initial recognition but are not yet considered impaired. A lifetime ECL is recognized in this stage.<br><br>• Stage 3 - Credit-Impaired Assets (Non-performing Assets):<br>Financial assets that are considered credit-impaired. A lifetime ECL is recognized, and profit income is calculated on the net carrying amount (i.e., after adjusting for the impairment allowance).<br><br>Definition of ‘Default’<br>As defined in the Basel regulation, a default is considered to have occurred when any of the following conditions are met for an obligor with the Bank:<br><br>- The obligor is 90 or more days past due on any of their material obligations with the Bank.<br>- Any of the obligor’s obligations with the Bank have been charged-off in part or in full.<br>- Profit has stopped accruing profit on any of the obligor’s obligations with the Bank within a specified segment.<br>- The obligor has filed for bankruptcy protection.<br>- The obligor’s debt has been restructured in a manner that results in an economic loss to the Bank.<br><br>The obligor has been classified as non-performing by the Bank, in accordance with internal policies and regulatory guidelines.</td></tr>
<tr><td>b</td><td>The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.</td></tr>
<tr><td></td><td>In line with the IFRS9 guidelines, the Bank has well established and thoroughly tested SICR (significant increase in credit risk) criteria to determine impairment of an obligor. In brief, all material credit exposures with past due obligations of over 90 days past due are classified as non-performing and credit impaired exposure. However, under exceptional</td></tr>
</table>

| | |
|---|---|
| | circumstances, the Business Unit may propose a SICR override backed by proper justification for Impairment Committee review and approval. In such cases, the credit exposure will not be classified as credit impaired despite past due obligations beyond 90 days.<br><br>As of 31 December 2024, all past due exposures more than 90 days are classified as impaired. |
| c | **Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures.** |
| | The account provision is the same as the provision calculated under IFRS9 for credit losses. For purposes of the standardized approach under Basel accords, the provisions calculated under Stage 1 (performing) and Stage 2 (underperforming) are considered as general provisions and provisions for stage 3 (impaired) accounts are considered as specific provisions |
| d | **The bank's own definition of a restructured exposure. Banks should disclose the definition of restructured exposures they use (which may be a definition from the local accounting or regulatory framework).** |
| | Restructuring occurs when there is a change or modification of the terms and conditions of the original exposure contract. Restructuring may occur in the form of either forbearance or renegotiation and/or refinancing and/or rescheduling. The Bank adheres to Basel guidelines on prudential treatment of problem assets which states that not all concessions lead to a reduction in the net present value of the credit exposure, and therefore concessions do not necessarily lead to the recognition of a loss by the Bank. There is no concession when the borrower is not in financial difficulty. |
| **Quantitative disclosures** | |
| e | **Breakdown of exposures by geographical areas, industry and residual maturity.** |
| | See Sheets "CRB e.1", "CRB e.2" and "CRB e.3" |
| f | **Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related accounting provisions,** |
| | See Sheets "CRB f.1" and "CRB f.2" |
| g | **Ageing analysis of accounting past-due exposures.** |
| | See Sheet "CRG g" |
| h | **Breakdown of restructured exposures between impaired and not impaired exposures.** |
| | See Sheet "CRG h" |

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| e | Breakdown of exposures by geographical areas, industry and residual maturity. |
|---|---|

**CRB: Additional disclosure related to the credit quality of assets**

**CRB (e) Breakdown of exposures by geographical areas**

| Asset classes | Geographic area | | | | | | |
|---|---|---|---|---|---|---|---|
| | Saudi Arabia | Other GCC & Middle East | Europe | North America | South East Asia | Other countries | Total |
| **Sovereigns and central banks:** | **45,807,913** | **137,570** | **-** | **-** | **-** | **-** | **45,945,483** |
| SAMA and Saudi Government | 45,807,913 | - | - | - | - | - | 45,807,913 |
| Others | - | 137,570 | - | - | - | - | 137,570 |
| Multilateral Development Banks (MDBs) | - | - | - | - | - | 94,948 | 94,948 |
| Public Sector Entities (PSEs) | 166,679 | - | - | - | - | - | 166,679 |
| Banks and securities firms | 4,218,146 | 976,792 | 302,860 | 321,263 | 6,950 | 53,247 | 5,879,259 |
| Subordinated debt, equity and other capital instruments | 4,421,762 | 1,367,667 | 44,992 | 14,198 | - | - | 5,848,619 |
| General Corporates | 143,467,309 | - | - | - | - | - | 143,467,309 |
| Specialized Lending | 35,159,398 | - | - | 2,271,388 | - | - | 37,430,786 |
| Retail non-mortgages | 25,034,768 | - | - | - | - | - | 25,034,768 |
| **Real estate exposures** | **24,943,062** | **-** | **-** | **-** | **-** | **-** | **24,943,062** |
| Residential | 24,943,062 | - | - | - | - | - | 24,943,062 |
| Commercial | - | - | - | - | - | - | - |
| Securitized assets | - | - | - | - | - | - | - |
| Equity investments in funds | 1,452,048 | 890,993 | 29,697 | 466,880 | - | - | 2,839,618 |
| Defaulted exposures | 2,182,236 | - | - | - | - | - | 2,182,236 |
| Others | 8,976,933 | - | - | - | - | - | 8,976,933 |
| **Total** | **295,830,252** | **3,373,023** | **377,550** | **3,073,729** | **6,950** | **148,195** | **302,809,698** |

**Exposures are defined as the sum of on-balance sheet exposures pre-CRM and off-balance sheet exposures post-CCF but pre-CRM.*



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| CRB: Additional disclosure related to the credit quality of assets | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CRB (e) Breakdown of exposures by industry | | | | | | | | | | | | | | |
| Asset classes | Industry sector | | | | | | | | | | | | | |
| | Agriculture, forestry and fishing | Mining and quarrying | Manufac-turing | Electricity, water and related industries | Construc-tion | Trade and repair of vehicles | Transport and storage | Accomm. and food services | Information and comm. | Financial and insurance | Real estate | Retail | Others | Total |
| **Sovereigns and central banks:** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **45,945,483** | **45,945,483** |
| SAMA and Saudi Government | - | - | - | - | - | - | - | - | - | - | - | - | 45,807,913 | 45,807,913 |
| Others | - | - | - | - | - | - | - | - | - | - | - | - | 137,570 | 137,570 |
| Multilateral Development Banks (MDBs) | - | - | - | - | - | - | - | - | - | 94,948 | - | - | - | 94,948 |
| Public Sector Entities (PSEs) | - | - | - | - | - | - | - | - | - | - | - | - | 166,679 | 166,679 |
| Banks and securities firms | - | - | - | - | - | - | - | - | - | 5,879,259 | - | - | - | 5,879,259 |
| Subordinated debt, equity and other capital instruments | - | - | 20,418 | - | - | 54,500 | - | - | 43,743 | 5,722,458 | - | - | 7,500 | 5,848,619 |
| General Corporates | 359,785 | 1,218,570 | 11,926,739 | 10,134,357 | 18,499,012 | 13,019,989 | 7,162,854 | 12,662,351 | 2,299,200 | 9,010,773 | 37,136,395 | 20,037,284 | - | 143,467,309 |
| Specialized lending | - | 4,564,979 | 5,039,892 | 9,795,906 | 6,874,236 | 1,373,898 | 2,266,635 | 518,060 | - | - | - | - | 6,997,180 | 37,430,786 |
| Retail non-mortgages | - | - | - | - | - | - | - | - | - | - | - | 25,034,768 | - | 25,034,768 |
| **Real estate exposures** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **24,943,062** | **-** | **24,943,062** |
| Residential | - | - | - | - | - | - | - | - | - | - | - | 24,943,062 | - | 24,943,062 |
| Commercial | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Securitized assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Defaulted exposures | - | - | 854,855 | 720 | 405,127 | 298,078 | 28 | 56,607 | - | - | - | 502,404 | 64,417 | 2,182,236 |
| Equity investments in funds | - | - | - | - | - | - | - | - | - | 2,839,618 | - | - | - | 2,839,618 |
| Others | - | - | - | - | - | - | - | - | - | - | - | - | 8,976,933 | 8,976,933 |
| **Total** | **359,785** | **5,783,549** | **17,841,904** | **19,930,983** | **25,778,375** | **14,746,464** | **9,429,517** | **13,237,018** | **2,342,943** | **23,547,056** | **37,136,395** | **70,517,518** | **62,158,191** | **302,809,698** |

**Exposures are defined as the sum of on-balance sheet exposures pre-CRM and off-balance sheet exposures post-CCF but pre-CRM.*



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| CRB: Additional disclosure related to the credit quality of assets | | | | | | | |
|---|---|---|---|---|---|---|---|
| CRB (e) Breakdown of exposures by residual maturity | | | | | | | |
| | Maturity breakdown | | | | | | |
| Asset classes | On demand | Short Term: Less Than 1 Year | Medium Term: 1 - 3 Years | Medium Term: 3 - 5 Years | Long Term: Over 5 Years | No Stated maturity | Total |
| Sovereigns and central banks: | 12,693 | 450,578 | 2,397,764 | 4,156,669 | 27,368,788 | 11,558,992 | **45,945,483** |
| Multilateral Development Banks (MDBs) | - | - | - | 94,948 | - | - | **94,948** |
| Public Sector Entities (PSEs) | - | - | - | 77,991 | 88,688 | - | **166,679** |
| Banks and securities firms | 727,907 | 3,620,358 | 1,220,465 | 310,529 | - | - | **5,879,259** |
| Subordinated debt, equity and other capital instruments | - | - | 241,319 | 3,066,603 | 2,060,910 | 479,787 | **5,848,619** |
| General Corporates | - | 59,777,691 | 25,824,652 | 20,484,520 | 37,380,445 | - | **143,467,309** |
| Specialized lending | - | 2,949,747 | 7,910,785 | 3,933,116 | 22,637,137 | - | **37,430,786** |
| Retail non-mortgages | - | 4,568,177 | 7,041,921 | 12,397,893 | 1,026,777 | - | **25,034,768** |
| Real estate exposures | - | 15,572 | 126,159 | 469,950 | 24,331,381 | - | **24,943,062** |
| Residential | - | 15,572 | 126,159 | 469,950 | 24,331,381 | - | **24,943,062** |
| Commercial | - | - | - | - | - | - | **-** |
| Securitized assets | - | - | - | - | - | - | **-** |
| Defaulted exposures | - | - | 2,182,236 | - | - | - | **2,182,236** |
| Equity | - | - | - | - | - | 2,839,618 | **2,839,618** |
| Others | - | - | - | - | - | 8,976,933 | **8,976,933** |
| **Total** | **740,600** | **71,382,123** | **46,945,301** | **44,992,219** | **114,894,126** | **23,855,330** | **302,809,699** |

**Exposures are defined as the sum of on-balance sheet exposures pre-CRM and off-balance sheet exposures post-CCF but pre-CRM.*



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| f | Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related accounting provisions, broken down by geographical areas and industry. |
|---|---|

| CRB: Additional disclosure related to the credit quality of assets | | |
|---|---|---|
| **CRB (f) Breakdown of impaired exposures and related accounting provisions by geographical areas** | | |
| **Geographic area** | **Impaired loans** | **Related accounting provisions** |
| Saudi Arabia | 2,182,236 | 1,201,106 |
| Other GCC & Middle East | - | - |
| Europe | - | - |
| North America | - | - |
| South East Asia | - | - |
| Other countries | - | - |
| **Total** | **2,182,236** | **1,201,106** |

| CRB: Additional disclosure related to the credit quality of assets | | |
|---|---|---|
| **CRB (f) Breakdown of impaired exposures and related accounting provisions by industry** | | |
| **Industry sector** | **Impaired loans** | **Related accounting provisions** |
| Government and quasi government | - | - |
| Manufacturing | 854,855 | 425,123 |
| Electricity, water, gas & health services | - | - |
| Building and construction | 44,658 | 36,871 |
| Services | 118,615 | 98,029 |
| Mining | - | - |
| Agriculture | - | - |
| Consumer financing | 502,404 | 349,813 |
| Transportation and communication | 2,750 | 825 |
| Commerce | 298,485 | 128,234 |
| Real Estate Business | 360,469 | 162,211 |
| Others | - | - |
| **Total** | **2,182,236** | **1,201,106** |



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| g | Ageing analysis of accounting past-due exposures. |
|---|---|

| CRB: Additional disclosure related to the credit quality of assets | | | | | |
|---|---|---|---|---|---|
| CRB (g) Ageing analysis of accounting past-due exposures | | | | | |
| Exposure | Aging of Past Due Loans (days) | | | | |
| | Less than 90 | 90-180 | 180-360 | Over 360 | Total |
| Past due exposures | 234,020 | 1,932,194 | 176,730 | 73,312 | 2,416,256 |

| h | Breakdown of restructured exposures between impaired and not impaired exposures. |
|---|---|

| CRB: Additional disclosure related to the credit quality of assets | | | | | |
|---|---|---|---|---|---|
| CRB (h) Breakdown of restructured exposures between impaired and not impaired exposures | | | | | |
| Exposures | Performing | Non-performing | Total exposure | Impaired | Specific provisions and adjustments |
| Loans | 2,864,876 | - | 2,864,876 | - | - |
| Of which: corporate | 2,864,876 | - | 2,864,876 | - | - |
| Of which: retail | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Off-balance sheet exposure | - | - | - | - | - |
| **Total** | **2,864,876** | **-** | **2,864,876** | **-** | **-** |



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## CRB-A – Additional disclosure related to prudential treatment of problem assets

| | Qualitative disclosures |
|---|---|
| a | **The bank's own definition of non-performing exposures. The bank should specify in particular if it is using the definition provided in the guidelines on prudential treatment of problem assets (hereafter in this table referred to as SAMA's Rules on Management of Problem No. 41033343, January 2020. And provide a discussion on the implementation of its definition, including the materiality threshold used to categorise exposures as past due, the exit criteria of the non-performing category (providing information on a probation period, if relevant), together with any useful information for users' understanding of this categorisation. This would include a discussion of any differences or unique processes for the categorisation of corporate and retail loans.** |
| | As defined in the Basel regulation, a default is considered to have occurred when any of the following conditions are met for an obligor with the Bank:<br>- The obligor is 90 or more days past due on any of their material obligations with the Bank.<br>- Any of the obligor's obligations with the Bank have been charged-off in part or in full.<br>- Profit has stopped accruing profit on any of the obligor's obligations with the Bank within a specified segment.<br>- The obligor has filed for bankruptcy protection.<br>- The obligor's debt has been restructured in a manner that results in an economic loss to the Bank.<br>- The obligor has been classified as non-performing by the Bank, in accordance with internal policies and regulatory guidelines.<br><br>If the change in credit assessment is significant, the obligor is moved from Stage 1 to Stage 2 or Stage 2 to Stage 3. The PD is then changed from a 12-month point-in-time PD to a lifetime PD. The Bank groups its credit exposures on the basis of shared credit risk characteristics with the objective of facilitating analysis designed to identify significant increases in the credit risk on a timely basis.The upward Stage classification is evaluated for obligors where an improvement in credit quality is evident and customer started to perform again and exit from the category after complying to prevalent cure period requirements of 12 months and 6 months for Corporate and Retail business segment obligors unless an exception is specifically approved by the Impairment Committee. All credit exposures are subject to on-going monitoring and annual review activity, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment.<br><br>The credit assessment for individual obligors of Retail Asset products is performed through automated product specific scorecard framework. |



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| | |
|---|---|
| b | **The bank's own definition of a forborne exposure. The bank should specify in particular if it is using the definition provided in the Guidelines and provide a discussion on the implementation of its definition, including the exit criteria of the restructured or forborne category (providing information on the probation period, if relevant), together with any useful information for users' understanding of this categorisation. This would include a discussion of any differences or unique processes for the catagorisation of corporate and retail loans1.** |
| | Restructured Assets or Modified Assets: Modified Assets or Restructured Assets refer to financing or credit facilities where the terms have been altered due to the obligor's financial difficulties. Such modifications may include changes to the profit rate, extension in financing tenor, key repayment terms, or principal forgiveness to prevent default. The "Basel – Prudential treatment of problem assets – Not all concessions lead to a reduction in the net present value of the credit exposure, and therefore concessions does not necessarily lead to the recognition of a loss by the lender. There is no concession when the borrower is not in financial difficulty. The upward Stage classification is evaluated for obligors where an improvement in credit quality is evident and customer started to perform again and exit from the category after complying to prevalent cure period requirements. Restructured assets are classified at a minimum of Stage 2 for ECL (Expected Credit Loss) calculation and closely monitored, and if they result in an economic loss, appropriate provisions are made in accordance with the Bank's impairment policies. |



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| Quantitative disclosures | |
|---|---|
| c | **Gross carrying value of total performing as well as non-performing exposures, broken down first by debt securities, loans and off-balance sheet exposures. Loans should be further broken down by corporate and retail exposures. Non-performing exposures should in addition be split into (i) defaulted exposures and/or impaired exposures;5 (ii) exposures that are not defaulted/impaired exposures but are more than 90 days past due; and (iii) other exposures where there is evidence that full repayment is unlikely without the bank's realisation of collateral (which would include exposures that are not defaulted/impaired and are not more than 90 days past due but for which payment is unlikely without the bank's realisation of collateral, even if the exposures are not past due). Value adjustments and provisions6 or non-performing exposures should also be disclosed.** |
| | Please see CR1 for the gross carrying value of total performing as well as non-performing exposures, broken down first by debt securities, loans and off-balance sheet exposures.<br><br>Please see CRB (f) for the breakup of non-performing loans and related provisions and value adjustments.<br><br>Please see Note 8 of the Bank's 2024 financial statements for the breakdown of loans by corporate and retail exposures. |
| d | **Gross carrying values of restructured/forborne exposures broken down first by debt securities, loans and off-balance sheet exposures. Loans should be further broken down by corporate and retail exposures to enable an understanding of material differences in the level of risk among different portfolios (e.g. retail exposures secured by real estate/mortgages, revolving exposures, SMEs, other retail). Exposures should, in addition, be split into performing and non-performing, and impaired and not impaired exposures. Value adjustments and provisions for non-performing exposures should also be disclosed.** |
| | Please see CRB (h) for the consolidated report on restructured exposures. |



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# CRC: Qualitative disclosure related to credit risk mitigation techniques

| Qualitative disclosures | |
|---|---|
| a | **Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.** |
| | The Bank does not use netting arrangements. |
| b | **Core features of policies and processes for collateral evaluation and management.** |
| | **For Corporate Financing**<br>Based on existing guidelines for Corporate financing, Real Estate collaterals being held by the Bank to secure certain exposures to an Obligor are re-appraised every 2 years by two approved external evaluators. The valuation is supported by a written appraisal duly signed by the Evaluator. Real estate/fixed assets valuations should be updated at least every two years, and should be updated as soon as feasible if: a) the collateral becomes the first way-out for any reason, b) the collateral assumes higher importance as a way-out due to deterioration of the credit. In the event the real estate market is extremely volatile, the Bank may opt to obtain fresh appraisals for all clients/portfolio or should Credit Committee request for more frequent valuations on all customers. In case of a large commercial or residential real estate project which offers few types of distinct category in terms of size, location of the real estate property, the detailed evaluation report for one fully completed unit will be considered as valid for a similar standard type of the property to derive appraised value. Appraisers are not permitted to appraise the same real estate/asset for more than two consecutive terms.<br><br>**For Retail / Consumer Financing**<br>The Real Estate properties taken as collateral are evaluated through two evaluators from the approved panel of authorized evaluators at the time of origination. Under real estate offering, the property title deeds are transferred to Al-Tanweer, a company formed principally to hold legal title of properties as collateral for the finance extended by the Bank. |
| c | **Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).**<br><br>**Banks should disclose a meaningful breakdown of their credit derivative providers, and set the level of granularity of this breakdown in accordance with section 10. For instance, banks are not required to identify their derivative counterparties nominally if the name of the counterparty is considered to be confidential information. Instead, the credit derivative exposure can be broken down by rating class or by type of counterparty (e.g. banks, other financial institutions, non-financial institutions).** |
| | The Bank, in the ordinary course of business holds collaterals as security to mitigate credit risk. These collaterals are diversified and include customers' deposits, financial guarantees, equities, real estate, and other fixed assets. |



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## CRD: Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk

| Qualitative disclosures | |
|---|---|
| a | **Names of the external credit assessment institutions (ECAIs);** |
| | The Bank uses multiple eligible External Credit Assessment Institutions (ECAIs) in accordance with SAMA guidelines for determining the risk weights of Sovereigns, Multilateral Development Banks (MDBs), Banks and Securities Firms, and Corporate exposures. |
| b | **The asset classes for which each ECAI is used;** |
| | Bank uses ECAI for its exposures to other banks and financial institutions, MDBs, sovereign exposures and corporate exposures wherever such ratings are available. |
| c | **A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book (see SCRE8.16 to SCRE8.18); and** |
| | Credit exposures to other corporate and asset classes are internally rated where external ratings are not available, however for the purposes of Basel capital adequacy calculation these are treated as Unrated |
| d | **The alignment of the alphanumerical scale of each agency used with risk buckets (as per SAMA circular No. B.C.S 242, issued April 11, 2007).** |
| | For the purposes of aligning the alphanumerical scale of each ECAI, we used the mapping as per the SAMA circular No. BCS 242 issued April 11, 2007. |



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## CCRA: Qualitative disclosure related to CCR

| Qualitative disclosures | |
|---|---|
| a | **The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures;** |
| | N/A |
| b | **Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;** |
| | The Bank is managing counterparty credit risk exposures in line with the Bank's Risk Appetite and Risk Management framework. |
| c | **Policies with respect to wrong-way risk exposures;** |
| | Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank considers its exposure to such risk is limited. |
| d | **The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.** |
| | This has been managed through variation margin and the impact of any increase in variation margin due to potential credit rating downgrade is considered minimal. |

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## CCR1: Analysis of CCR exposures by approach

**As of December 31, 2024**

**SR 000's**

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Replacement cost | Potential future exposure | Effective EPE | Alpha used for computing regulatory EAD | EAD post-CRM | RWA |
| 1 | SA-CCR (for derivatives) | 293,339 | 1,075,623 | | 1.4 | 1,916,547 | 1,249,315 |
| 2 | Internal Model Method (for derivatives and SFTs) | | | - | - | - | - |
| 3 | Simple Approach for credit risk mitigation (for SFTs) | | | | | 162,511 | 48,753 |
| 4 | Comprehensive Approach for credit risk mitigation (for SFTs) | | | | | - | - |
| 5 | Value-at-risk (VaR) for SFTs | | | | | - | - |
| 6 | **Total** | | | | | | **1,298,068** |



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## CCR3: Standardized approach - CCR exposures by regulatory portfolio and risk weights

As of December 31, 2024

SR 000's

| | | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|---|
| Regulatory portfolio*↓ | Risk weight*→ | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | Total credit exposure |
| Sovereigns | | - | - | - | - | - | - | - | - | - |
| Non-central government public sector entities | | - | - | - | - | - | - | - | - | - |
| Multilateral development banks | | - | - | - | - | - | - | - | - | - |
| Banks | | - | - | - | - | - | 963,358 | - | 1,115,699 | 2,079,058 |
| Securities firms | | - | - | - | - | - | - | - | - | - |
| Corporates | | - | - | - | - | - | - | - | - | - |
| Regulatory retail portfolios | | - | - | - | - | - | - | - | - | - |
| Other assets | | - | - | - | - | - | - | - | - | - |
| **Total** | | **-** | **-** | **-** | **-** | **-** | **963,358** | **-** | **1,115,699** | **2,079,058** |



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## CCR5: Composition of collateral for CCR exposure

**As of December 31, 2024**

SR 000's

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Collateral used in derivative transactions | | | | Collateral used in SFTs | |
| | Fair value of collateral received | | Fair value of posted collateral | | | |
| | Segregated | Unsegregated | Segregated | Unsegregated | Fair value of collateral received | Fair value of posted collateral |
| Cash - domestic currency | - | 123,510 | - | - | - | - |
| Cash - other currencies | 169,013 | 14,400 | - | 27,488 | - | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | 791,281 | 908,344 |
| Corporate bonds | - | - | - | - | - | 1,627,397 |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| **Total** | **169,013** | **137,910** | **-** | **27,488** | **791,281** | **2,535,740** |



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## MRA: General qualitative disclosure requirements related to market risk

| Qualitative disclosures | | |
|---|---|---|
| **a** | **Strategies and processes of the bank, which must include an explanation and/or a description of:** | |
| (i) | The bank's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and the strategies/processes for monitoring the continuing effectiveness of hedges. | The bank has in place the Derivatives and Hedging Accounting policy duly approved by Board. It entails all the products that can be used by the bank to hedged the underlying assets and liabilities. Moreover, it also covers both fair value hedge and cash flow hedge that can be conducted by the bank along with the applicable accounting rules.<br><br>The policy contains following three hedge effectiveness requirements:<br>• There should be an economic relationship between the hedged item and the hedging instrument. This needs to be assessed on hedge-by-hedge basis.<br>• The effect of credit risk does not dominate the value changes that result from that economic relationship; and<br>• Maintaining the applicable hedge effectiveness ratio at all times.<br><br>Policy also outlines the roles and responsibilities of each department. ALCO committee is responsible for regularly assessing and discussing hedging strategies for the bank presented by Balance Sheet Management department under Treasury Management. Balance Sheet Management team is responsible for identifying the potential hedging opportunities based on the prevailing market conditions. Treasury Middle Office is responsible for monitoring the hedge effectiveness ratio. Bank has also developed the hedging limits in order to ensure that risk remains within the defined appetite. |
| (ii) | Policies for determining whether a position is designated as trading, including the definition of stale positions and the risk management policies for monitoring those positions. In addition, banks should describe cases where instruments are assigned to the trading or banking book contrary to the general presumptions of their instrument category and the market and gross fair value of such cases, as well as cases where instruments have been moved from one book to | The bank has prepared the trading book policy statement which specify the definition and key attributes for a trading desk. Following are the key points of the trading book policy statement:<br>• Define and demarcate the boundary between the Banking Book ("BB") and Trading Book ("TB").<br>• Identify all instruments, including the BB positions, that are required to be included in the market risk capital calculations. |

| | | |
|---|---|---|
| | the other since the last reporting period, including the gross fair value of such cases and the reason for the move. | • Define the criteria for the initial identification of the TB instruments.<br>• Provide the requirements for any subsequent re-assignments/movements of instruments between books.<br>• Specify the definition, identification, and regulatory capital treatment of internal risk transfers ("IRT").<br>• State the way the regulatory boundary and IRT are governed and assign responsibility for these procedures.<br><br>The Governance and Adherence section of the policy includes the roles and responsibilities of different departments along with the desk mandates and the management of market risk that arises from trading book position. It also includes the criteria as defined in the SAMA guidelines for the classification of trading book position. Reassignment should be rare and will be allowed by SAMA only in extraordinary circumstances.<br>Any deviations from permissible list of instruments is part of the policy along with the approving authority including SAMA. |
| (iii) | Description of internal risk transfer activities, including the types of internal risk transfer desk (SMAR5) | Not applicable. |
| b | **The structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above.** | |
| | • The following are the key players in the market risk management process at the Bank:<br>• Risk Committee of the Board - Oversee on behalf of the Board of Directors (BoD) the market risk management practice at the Bank.<br>• Board Executive Committee (ExCom) - Approve overall market risk policy and setting broad market risk guidelines for the Bank.<br>• Asset and Liability Management (ALCO) - Approve asset allocation and investment of the balance sheet. Set tolerance levels for the Bank, covering the components of Market Risk (including Asset Price Risk and Profit Rate Risk) and investment. Oversee management of market risk. Approve frameworks for monitoring market risk. Monitor overall actual risk levels. Monitor resilience of balance sheet to future changes, through reviewing stress testing. React if risk moves outside agreed tolerance.<br>• Investment Committee - Approve allocation of investments managed by Treasury. Set tolerance levels for the bank, covering the components of investment and market risk. Oversee management of investment risk. Approve frameworks for monitoring investment risk. Monitor overall actual investment risk levels. Monitor resilience of balance sheet vis-à-vis investment risk to future changes, through reviewing stress testing. React if investment risk moves outside agreed tolerance.<br>• Treasury Front Office - Manage bank's own investment portfolio and manage asset price risk associated with these investments. Manage risks resulting from balance sheet composition (liquidity and profit rate risks) for the entire bank. | |

| | |
|---|---|
| | • Treasury Support - Support decision making in Treasury, through producing rapid response Treasury MIS (e.g. dealer performance, position reports and etc.).<br>• Treasury Operations - Process all transactions initiated in Treasury, from confirmation through to settlement.<br>• Risk Management - Ensure decision makers, bank-wide, to make decisions with full understanding of the risks involved. Review investment objectives, both in terms of risk and return. Support ALCO in setting risk tolerance levels and monitoring actual risk levels. Develop frameworks to measure risk. Propose risk limits, as request by and in discussion with Business units, and present to ALCO for approval. Measure overall risk levels both under steady conditions, and under stress scenarios. If the Bank moves outside approved risk limits, analyze options for bank to react, and present to ALCO for discussion and decision. Approve those decisions within delegated authority (e.g. counterparty limits). Monitor and report to ALCO all limit excesses in accordance with the Risk Appetite.<br>• Finance - Act as ALCO secretary. Manage funds transfer pricing mechanism. Address tax concerns, including zakat which may be applicable on any investments. Escalate any un-reconciled trades.<br>• Sharia'h Control - Sharia Control shall review to ensure that the Treasury business activities are in full compliance with Sharia Committee Rulings as any violation may affect the Bank's profit.<br>• • Audit - Conduct the review of the design and operating effectiveness of the market risk management process. |
| c | **The scope and nature of risk reporting and/or measurement systems.** |
| | The primary tool used by Market Risk to manage the market risks of the Bank is the Asset Liability Management system which is linked to the Fund Transfer Pricing System. The ALM system produces the Intra-day Liquidity system, the gap analysis and the various methods used in calculating the Profit Rate Risks of the Banking Book of the Bank. Investments in Traded Equities are also monitored in terms of VaR and CVaR. Limits for Market Risks, Liquidity, Profit Rate and Treasury Trading Limits are guided and managed through the Risk Appetite Framework and Policy which is monitored for compliance by Risk Management. Risk Committee of the Board and the ExCom receive periodic report on the compliance of the Risk Appetite Framework. In addition, all types of risks assessment are consolidated in the annual Internal Capital Adequacy and Assessment Process (ICAAP) which the regulator require from Banks to be completed and submitted within the month of February after the closing of the calendar year. |

# MR1: Market risk under the standardized approach

As of December 31, 2024

SR 000's

| | | Capital requirement in standardized approach |
|---|---|---|
| 1 | General interest rate risk | 10,234 |
| 2 | Equity risk | 225,381 |
| 3 | Commodity risk | - |
| 4 | Foreign exchange risk | 175,320 |
| 5 | Credit spread risk - non-securitizations | - |
| 6 | Credit spread risk - securitizations (non-correlation trading portfolio) | - |
| 7 | Credit spread risk - securitization (correlation trading portfolio) | - |
| 8 | Default risk - non-securitizations | 19,766 |
| 9 | Default risk - securitizations (non-correlation trading portfolio) | - |
| 10 | Default risk - securitizations (correlation trading portfolio) | - |
| 11 | Residual risk add-on | - |
| 12 | **Total** | **430,701** |

## CVAA: General qualitative disclosure requirements related to CVA

| | |
|---|---|
| a | **An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges.** |
| | The Bank's CVA risks are managed as part of the Bank's derivative and hedging process and it's computed on quarterly basis for assessment. Hedge effectiveness are monitored on regular basis and where appropriate, economic and/or accounting hedge is applied to manage the CVA risks. |
| b | **Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under SMAR14.** |
| | The bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under SMAR14. |

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## CVA4: RWA flow statements of CVA risk exposures under SA-CVA

As of December 31, 2024

SR 000's

| | | |
|---|---|---|
| 1 | **Total RWA for CVA at previous quarter-end** | **1,671,983** |
| 2 | **Total RWA for CVA at end of reporting period** | **1,298,068** |

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## ORA: General qualitative information on a bank's operational risk framework

| | |
|---|---|
| a | **Their policies, frameworks and guidelines for the management of operational risk.** |
| | Alinma Bank has an approved Operational Risk Policy that guides the implementation of the Operational Risk Management (ORM) practice at the Bank.<br><br>The corresponding procedure documents are also in place detailing the key processes, roles and responsibilities, as well as the documentary requirements along the ORM framework. |
| b | **The structure and organisation of their operational risk management and control function.** |
| | Alinma Bank is adopting a key process approach in its ORM practice whereby there is a dedicated team for each key ORM activity namely: Incident Management, Loss Data Management, RCSA, KRIs, New Products and Services Risk Assessments, and Policies/Procedures Reviews.<br><br>The current organizational structure of ORM strengthens its control function in second-line of defense. |
| c | **Their operational risk measurement system (ie the systems and data used to measure operational risk in order to estimate the operational risk capital charge).** |
| | The Bank is using the Standardized Approach to calculate the required capital for the Operational Risk under Pillar 1. The computation includes the Business Indicator Component (BIC) and the Internal Loss Multiplier (ILM). BIC represents the exposure based on its income-generating activities, while the Internal Loss Multiplier is adjusting the same based on the Bank's historical loss data.<br>The Bank has also developed a methodology for the required capital under Pillar 2 using the combination of the following:<br>• Comparison of Operational Risk Capital Charge to historical loss data.<br>• Comparison of Operational Risk Capital to losses based on Monte Carlo Simulation. |
| d | **The scope and main context of their reporting framework on operational risk to executive management and to the board of directors.** |
| | Alinma Bank's Board of Directors via its delegated Board Risk Management Committee and Executive Management are formally notified on the key updates and progress of ORM. This reporting requirements detailed in the Risk Monitoring and Reporting section of the ORM Policy. |
| e | **The risk mitigation and risk transfer used in the management of operational risk. This includes mitigation by policy (such as the policies on risk culture, risk appetite, and outsourcing), by divesting from high-risk businesses, and by the establishment of controls. The remaining exposure can then be absorbed by the bank or transferred. For instance, the impact of operational losses can be mitigated with insurance.** |
| | **Risk Mitigation**: the mitigation treatments adopted by the ORM include business continuity/contingency planning, insurance and outsourcing.<br><br>**Risk Transfer:** In an event that a particular operational risk is beyond the control of the Bank, a risk transfer through insurance is used as a treatment. |

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## OR1: Historical losses

SR 000's

| | | a | b | c | d | e | f | g | h | i | j | k |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | T | T-1 | T-2 | T-3 | T-4 | T-5 | T-6 | T-7 | T-8 | T-9 | Ten-year Average |
| **Using 44,600 SAR threshold** | | | | | | | | | | | | |
| 1 | Total amount of operational losses net of recoveries (no exclusions) | 13,642 | 15,587 | 5,661 | 6,826 | 4,205 | 2,335 | 13,227 | N/A | N/A | N/A | 8,783 |
| 2 | Total number of operational risk losses | 21 | 15 | 16 | 7 | 9 | 6 | 17 | N/A | N/A | N/A | 13 |
| 3 | Total amount of excluded operational risk losses | - | - | - | - | - | - | - | N/A | N/A | N/A | - |
| 4 | Total number of exclusions | - | - | - | - | - | - | - | N/A | N/A | N/A | - |
| 5 | Total amount of operational losses net of recoveries and net of excluded losses | 13,642 | 15,587 | 5,661 | 6,826 | 4,205 | 2,335 | 13,227 | N/A | N/A | N/A | 8,783 |
| **Using 446,000 SAR threshold** | | | | | | | | | | | | |
| 6 | Total amount of operational losses net of recoveries (no exclusions) | 12,011 | 12,044 | 4,180 | 5,012 | 2,668 | 1,243 | 11,532 | N/A | N/A | N/A | 6,956 |
| 7 | Total number of operational risk losses | 6 | 8 | 3 | 4 | 3 | 2 | 7 | N/A | N/A | N/A | 5 |
| 8 | Total amount of excluded operational risk losses | - | - | - | - | - | - | - | N/A | N/A | N/A | - |
| 9 | Total number of exclusions | - | - | - | - | - | - | - | N/A | N/A | N/A | - |
| 10 | Total amount of operational losses net of recoveries and net of excluded losses | 12,011 | 12,044 | 4,180 | 5,012 | 2,668 | 1,243 | 11,532 | N/A | N/A | N/A | 6,956 |



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| | | a | b | c | d | e | f | g | h | i | j | k |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | T | T-1 | T-2 | T-3 | T-4 | T-5 | T-6 | T-7 | T-8 | T-9 | Ten-year Average |
| Details of operational risk capital calculation | | | | | | | | | | | | |
| 11 | Are losses used to calculate the ILM (yes/no)? | Yes | Yes | Yes | Yes | Yes | Yes | Yes | N/A | N/A | N/A | N/A |
| 12 | If “no” in row 11, is the exclusion of internal loss data due to non compliance with the minimum loss data standards (yes/no)? | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 13 | Loss event threshold: 44,600 SAR or 446,000 SAR for the operational risk capital calculation if applicable | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 | 44,600 |



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## OR2: Business Indicator and subcomponents

**As of December 31, 2024**

**SR 000's**

| | | a | b | c |
|---|---|---|---|---|
| | **BI and its subcomponents** | **T** | **T-1** | **T-2** |
| 1 | Interest, lease and dividend component | 4,282,402 | | |
| 1a | Interest and lease income | 13,227,509 | 7,612,961 | 5,677,771 |
| 1b | Interest and lease expense | 5,572,995 | 1,546,495 | 537,386 |
| 1c | Interest earning assets | 220,455,142 | 186,379,416 | 161,034,009 |
| 1d | Dividend income | 30,798 | 30,545 | 8,820 |
| 2 | Services component | 2,010,042 | | |
| 2a | Fee and commission income | 2,426,703 | 1,901,510 | 1,560,543 |
| 2b | Fee and commission expense | 967,712 | 692,578 | 486,223 |
| 2c | Other operating income | 39,342 | 33,783 | 68,244 |
| 2d | Other operating expense | 18,793 | 4,184 | 10,246 |
| 3 | Financial component | 511,057 | | |
| 3a | Net P&L on the trading book | - | - | 2,134 |
| 3b | Net P&L on the banking book | 542,012 | 623,334 | 365,691 |
| 4 | BI | 6,803,501 | | |
| 5 | Business indicator component (BIC) | 886,725 | | |

**Disclosure on BI:**

| | | a |
|---|---|---|
| 6a | BI gross of excluded divested activities | - |
| 6b | Reduction in BI due to excluded divested activities | - |

# OR3: Minimum required operational risk capital

As of December 31, 2024

SR 000's

| # | Particulars | a |
|---|---|---|
| 1 | Business indicator component (BIC) | 886,725 |
| 2 | Internal loss multiplier (ILM) | 0.66 |
| 3 | Minimum required operational risk capital (ORC) | 585,717 |
| **4** | **Operational risk RWA** | **7,321,465** |

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# IRRBBA - IRRBB risk management objectives and policies (Quantitative disclosures)

**As of December 31, 2024**

**SR 000's**

| Quantitative disclosures | | |
|---|---|---|
| 1 | Average repricing maturity assigned to non-maturity deposits (NMDs). | Average maturity of all NMDs: 2.37 Years |
| 2 | Longest repricing maturity assigned to NMDs. | The slotting of NMDs has been done till the longest tenor of 5.5 Years |

# IRRBB1 - Quantitative information on IRRBB

**As of December 31, 2024**

SR 000's

| In reporting currency | ΔEVE | | ΔNII | |
|---|---|---|---|---|
| Period | T | T-1 | T | T-1 |
| Parallel up | 3,624,028 | 3,454,690 | 1,201,498 | 809,632 |
| Parallel down | 4,784,533 | 4,766,866 | 1,201,810 | 809,899 |
| Steepener | 1,518,450 | 1,732,596 | | |
| Flattener | 858,415 | 1,143,144 | | |
| Short rate up | 1,022,428 | 817,281 | | |
| Short rate down | 1,058,730 | 846,572 | | |
| **Maximum** | 4,784,533 | 4,766,866 | 1,201,810 | 809,899 |
| **Period** | **T** | | **T-1** | |
| **Tier 1 capital** | 41,464,734 | | 41,141,515 | |

## LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

| | | December 31, 2024 |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 276,827,481 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - |
| 3 | Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference | - |
| 4 | Adjustments for temporary exemption of central bank reserves (if applicable) | - |
| 5 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - |
| 6 | Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting | - |
| 7 | Adjustments for eligible cash pooling transactions | - |
| 8 | Adjustments for derivative financial instruments | 1,916,547 |
| 9 | Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending) | 162,511 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 23,334,341 |
| 11 | Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital | - |
| 12 | Other adjustments | (281,659) |
| **13** | **Leverage ratio exposure measure** | **301,959,220** |

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## LR2- Leverage ratio common disclosure

| | | December 31, 2024 | September 30, 2024 |
|---|---|---|---|
| | | T | T–1 |
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 277,746,927 | 268,216,054 |
| 2 | Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework | - | - |
| 3 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | - | - |
| 4 | (Adjustment for securities received under securities financing transactions that are recognized as an asset) | - | - |
| 5 | (Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital) | (1,201,106) | (830,214) |
| 6 | (Asset amounts deducted in determining Tier 1 capital and regulatory adjustments) | - | - |
| 7 | **Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6) | **276,545,821** | **267,385,840** |
| **Derivative exposures** | | | |
| 8 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives) | 410,674 | 855,281 |
| 9 | Add-on amounts for potential future exposure associated with *all* derivatives transactions | 1,505,872 | 1,465,702 |
| 10 | (Exempted central counterparty (CCP) leg of client-cleared trade exposures) | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | - | - |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - |
| 13 | **Total derivative exposures (sum of rows 8 to 12)** | **1,916,547** | **2,320,983** |
| **Securities financing transaction exposures** | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions | - | - |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - | - |
| 16 | Counterparty credit risk exposure for SFT assets | 162,511 | 134,321 |
| 17 | Agent transaction exposures | - | - |
| 18 | **Total securities financing transaction exposures (sum of rows 14 to 17)** | **162,511** | **134,321** |
| **Other off-balance sheet exposures** | | | |
| 19 | Off-balance sheet exposure at gross notional amount | 80,217,162 | 82,467,540 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (56,882,821) | (59,415,355) |

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## LR2- Leverage ratio common disclosure

| | | December 31, 2024 | September 30, 2024 |
|---|---|---|---|
| | | T | T–1 |
| 21 | (Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital) | - | - |
| 22 | **Off-balance sheet items (sum of rows 19 to 21)** | **23,334,341** | **23,052,185** |
| **Capital and total exposures** | | | |
| 23 | **Tier 1 capital** | **41,464,734** | **41,141,515** |
| 24 | **Total exposures (sum of rows 7, 13, 18 and 22)** | 301,959,220 | 292,893,329 |
| **Leverage ratio** | | | |
| 25 | **Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)** | **13.73%** | 14.05% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | 13.73% | 14.03% |
| 26 | **National minimum leverage ratio requirement** | **3.00%** | 3.00% |
| 27 | **Applicable leverage buffers** | **n/a** | n/a |
| **Disclosure of mean values** | | | |
| 28 | Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | - | - |
| 29 | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | - | - |
| 30 | Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | **301,959,220** | 292,893,329 |
| 30a | Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | **301,959,220** | 292,893,329 |
| 31 | Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | **13.73%** | 14.05% |
| 31a | Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | **13.73%** | 14.03% |

## LIQA - Liquidity risk management

| Qualitative disclosures | |
|---|---|
| a | **Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.** |
| | Liquidity risk is the risk that the Bank will be unable to fund itself or meet its liquidity needs in the event of firm-specific, market-wide or in a combined liquidity stress events. Liquidity is of critical importance to the Bank and Bank has in place a comprehensive and conservative set of liquidity and funding policies.<br><br>Bank's primary objective is to be able to fund itself and to enable its core businesses to continue to serve clients and generate revenues, even under adverse circumstances. In addition, the Bank also strives to ensure that it maintains key liquidity metrics within the regulatory thresholds & Bank's risk appetite framework to remain in a safe position against liquidity stress and associated risks. The key ratios are SAMA specified requirements, namely, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and SAMA Liquidity Ratio. The second objective of the bank is to create an effective strategy for diversification in the sources and tenor of funding to improve the bank's capacity to raise available funds under stress situations. To minimize concentration risk, relationship between different markets, depth of each market and period of products which have not matured is taken into consideration. In order to avoid large funding gaps in the balance sheet, the Bank regularly monitors maturity profile of the assets and liabilities on the basis of the remaining maturity.<br><br>Bank's Treasury Group is responsible for the management of the Bank's liquidity position and the structural maturity mismatches. Treasury coordinates closely with the Market Risk Unit of Risk Management to track liquidity ratios and conduct liquidity stress tests to better prepare the bank for business as usual and unexpected stress scenarios. Liquidity ratios and Liquidity Stress Scenarios are regularly presented to ALCO together with the Contingent Funding Plans. Treasury group works under the liquidity guidelines and principles set by the Bank's Asset Liability Committee (ALCO), who is the approving authority for the Liquidity Risk Appetite and the Liquidity Risk Policy. The Board Risk Committee has the ultimate ownership for the Bank's Liquidity Risk management framework and reviews the liquidity position of the bank on a regular basis. |
| b | **Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.** |
| | The funding strategy assesses the funding requirements based on the projected balance sheet growth and the main sources of funding to support that growth. Along with normal projection, a sensitivity analysis of customer deposits is also included as these constitute the major source of funding for the Bank and expected to remain so. The funding strategy is aligned with the ILAAP by demonstrating that the projected liquidity regulatory ratios will be in compliance with the regulatory requirements if the funding is maintained as planned.<br>A major portion of the funding requirements to be met through customers' deposits. Additional sources of funding comprise boorowing through repo, Sukuk Issuance and long term Bilateral borrowing from other financial institutions. |
| c | **Liquidity risk mitigation techniques.** |
| | • Maintaining sufficient amounts as unencumbered high quality liquidity buffer - a protection against any unforeseen interruptions to cash flow;<br>• Managing short-term and long-term cash flows via maturity mismatch report and various indicators;<br>• Monitoring depositor concentration at Bank level to avoid undue reliance on large fund providers; |

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| | |
|---|---|
| | • Diversifying funding sources to ensure proper funding mix;<br>• Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR are maintained at the required minimum;<br>• Constant review and assessment of the Contingency Funding Plan;<br>• Conducting biannually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans. |
| **d** | **An explanation of how stress testing is used.** |
| | The Bank performs stress testing to model its resilience under extreme but potential conditions arising from macroeconomic, strategic, political and business environmental factors, among others.<br>The potential unfavorable effects of stress scenarios, to the institution's risk weighted assets and capital adequacy are modeled to assess the Bank's resiliency in terms of solvency, liquidity and profitability. The following are the key risk indicators:<br>• Assets quality - increase/decrease in nonperforming assets measured in terms of ratio to financing assets.<br>• Profitability - increase/decrease in the accounting profit/loss.<br>• Capital adequacy – measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR).<br>• Liquidity position - measured in terms of changes in key liquidity indicators. |
| **e** | **An outline of the bank's contingency funding plans.** |
| | Contingency funding plan (CFP) sets out the strategies for addressing liquidity shortfalls in emergency situations. CFP provides a pre-ordered response mechanism to facilitate a swift and effective response to specific contingency funding events, triggered by financial distress in the market or a company specific event.<br>The CFP establishes a clear allocation of roles and clear lines of management responsibility, include clear invocation and escalation procedures, information flows, internal and external communications plan for managing a contingency funding event throughout the handling of a crisis event. It includes the early warning indicators which trigger the CFP with quantification and timing of mitigating actions. The plan is to be put to regular test and updated to ensure that it is operationally robust. |
| **Quantitative disclosures** | |
| **f** | **Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.** |
| | The bank's liquidity position is continuously measured through various matrices including Prudential Liquidity Ratios, future liquidity position in various time buckets, cash flow monitoring and funding concentration. Funding Strategy is planned every year to enable adequate and diversified sources of funding. |
| **g** | **Concentration limits on collateral pools and sources of funding (both products and counterparties).** |
| | Funding Concentration is monitored through depositor concentration ratio. It is monitored by Treasury middle office and Market Risk and is reported to ALCO. |
| **h** | **Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.** |
| | The operations of the Bank are mainly on the domestic market and does not have any foreign branches. The consolidated group entity comprises the banking arm and five other subsidiaries, four consolidated funds and two joint venture that offer investment management, remittances and real estate services. The liquidity requirements of the subsidiaries is managed independently by their respective management teams. Given that all subsidiary positions within the group are located domestically, the transfer of liquidity or capital between them is not a concern. Additionally, loans extended to intragroup subsidiaries are minimal relative to the overall balance sheet, meaning they do not significantly affect the liquidity gap or Pillar 1 liquidity ratios |

| i | **Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.** |
| --- | --- |
| | To ensure meeting Bank's payment obligations when they fall due under normal and stress circumstances the bank monitors its liquidity position through various measures. One such measure is Liquidity Gap - the mismatch in a bank's inflows and outflows from various assets and liabilities. All the assets and liabilities are slotted in different time buckets based on their residual maturities and net positions are assessed for each of those time periods. Up to one year liquidity is managed with more granular time buckets enabling the bank to monitor and manage the position more efficiently. The Management Action Trigger and Board Limits ensure that the gaps remain withing manageable levels.<br><br>Please refer to LIQA (i) table. |

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## LIQA: Liquidity risk management

## LIQA (i): Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

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| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Cash and balances with SAMA** | **330,000** | **-** | **-** | **-** | **13,519,670** | **13,849,670** |
| **Due from banks and other financial institutions:** | **-** | **-** | **-** | **-** | **-** | **-** |
| *Current accounts* | - | - | - | - | 727,169* | **727,169*** |
| *Murabaha and Wakala with banks* | 3,269,242 | - | 513,731 | - | - | **3,782,973** |
| **Investments, net** | **-** | **-** | **-** | **-** | **-** | **-** |
| *Investments held at amortized cost* | 68,100 | 1,041,115 | 5,026,126 | 25,546,119 | - | **31,681,460** |
| *Investments held at FVOCI* | 101,696 | 1,493,715 | 6,683,721 | 4,644,290 | 827,396 | **13,750,818** |
| *Investments held at FVSI* | - | - | - | - | 3,142,665 | **3,142,665** |
| *Investments in associate and joint venture* | - | - | - | - | 50,267 | **50,267** |
| *Positive fair value of derivatives* | 6,931 | 3,112 | 121,082 | 374,292 | - | **505,417** |
| **Financing, net** | **-** | **-** | **-** | **-** | **-** | **-** |
| *Retail* | 4,987,303 | 6,066,883 | 19,733,972 | 19,043,857 | - | **49,832,015** |
| *Corporate* | 16,054,828 | 40,229,010 | 58,342,564 | 37,849,677 | - | **152,476,079** |
| Property and equipment, net | - | - | - | - | 3,400,866 | **3,400,866** |
| Other assets | - | - | - | - | 3,628,082 | **3,628,082** |
| **Total assets** | **24,818,100** | **48,833,835** | **90,421,196** | **87,458,235** | **25,296,115** | **276,827,481** |
| **Liabilities and equity** | | | | | | |
| **Due to SAMA, banks and other financial institutions** | | | | | | |
| *Demand* | - | - | - | - | 730,080* | **730,080** |
| *Time investments and due to SAMA* | 5,666,216 | 6,404,721 | 1,135,239 | - | - | **13,206,176** |
| **Customers' deposits** | **-** | **-** | **-** | **-** | **-** | **-** |
| *Demand, savings and others* | - | - | - | - | 108,739,555* | **108,739,555** |
| *Customer's time investments* | 80,930,596 | 17,661,651 | 1,829,551 | 1,383,297 | - | **101,805,095** |
| *Negative fair value of derivatives* | 8,836 | 2,327 | 118,246 | 307,217 | - | **436,626** |
| Amount due to Mutual Funds' unitholders | - | - | - | - | 114,557 | **114,557** |

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## LIQA: Liquidity risk management

## LIQA (i): Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

SAR'000

| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|
| Other liabilities | - | - | - | - | 10,353,617 | **10,353,617** |
| Total equity | - | - | - | - | 41,441,775 | **41,441,775** |
| **Total liabilities and equity** | **86,605,648** | **24,068,699** | **3,083,036** | **1,690,514** | **161,379,584** | **276,827,481** |
| **Commitments & contingencies** | | | | | | |
| *Letters of credit* | 1,531,781 | 1,715,739 | 145,410 | - | - | **3,392,930** |
| *Letters of guarantee** | 2,307,082 | 10,172,884 | 8,970,910 | 98,098 | - | **21,548,974** |
| *Acceptances* | 1,203,262 | - | - | - | - | **1,203,262** |
| *Irrevocable commitments to extend credit** | - | - | 15,181,257 | - | - | **15,181,257** |
| **Total commitments & contingencies** | **5,042,125** | **11,888,623** | **24,297,577** | **98,098** | **-** | **41,326,423** |
| **Liquidity gap - on-balance sheet** | **(61,787,548)** | **24,765,136** | **87,338,160** | **85,767,721** | **(136,083,469)** | **-** |
| **Liquidity gap - on- and off-balance sheet** | **(66,829,673)** | **12,876,513** | **63,040,583** | **85,669,623** | **(136,083,469)** | **(41,326,423)** |

* These are all receivables / payable on demand. Letters of guarantee and irrevocable commitments may be payable on demand in the event of default.

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# LIQ1 – Liquidity Coverage Ratio (LCR)

For the quarter ended December 31, 2024

SAR 000's

| | | a | b |
|---|---|---|---|
| | | Total unweighted value (average) | Total weighted value (average) |
| **High-quality liquid assets** | | | |
| 1 | **Total HQLA** | | **46,763,162** |
| **Cash outflows** | | | |
| 2 | **Retail deposits and deposits from small business customers, of which:** | **64,189,203** | **5,027,302** |
| 3 | Stable deposits | 27,832,368 | 1,391,618 |
| 4 | Less stable deposits | 36,356,835 | 3,635,684 |
| 5 | **Unsecured wholesale funding, of which:** | **90,822,233** | **37,985,875** |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - |
| 7 | Non-operational deposits (all counterparties) | 87,408,977 | 34,572,619 |
| 8 | Unsecured debt | 3,413,256 | 3,413,256 |
| 9 | **Secured wholesale funding** | - | - |
| 10 | **Additional requirements, of which:** | **14,659,382** | **1,465,938** |
| 11 | Outflows related to derivative exposures and other collateral requirements | - | - |
| 12 | Outflows related to loss of funding on debt products | - | - |
| 13 | Credit and liquidity facilities | 14,659,382 | 1,465,938 |
| 14 | **Other contractual funding obligations** | - | - |
| 15 | **Other contingent funding obligations** | **67,256,004** | **1,753,971** |
| 16 | **TOTAL CASH OUTFLOWS** | | **46,233,086** |
| **Cash inflows** | | | |
| 17 | **Secured lending (eg reverse repos)** | - | - |
| 18 | **Inflows from fully performing exposures** | **12,583,050** | **7,910,501** |
| 19 | Other cash inflows | - | - |
| 20 | **TOTAL CASH INFLOWS** | | **7,910,501** |
| | | | **Total adjusted value** |
| 21 | **Total HQLA** | | **46,763,162** |
| 22 | **Total net cash outflows** | | **38,322,586** |
| 23 | **Liquidity Coverage Ratio (%)** | | **122.03%** |

# LIQ2: Net Stable Funding Ratio (NSFR)

**As of December 31, 2024**

**SAR 000's**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | *(In currency amount)* | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | <6 months | 6 months to < 1 year | ≥ 1 year | |
| **Available stable funding (ASF) item** | | | | | | |
| **1** | **Capital:** | - | - | - | 44,040,887 | 44,040,887 |
| 2 | *Regulatory capital* | - | - | - | 44,040,887 | 44,040,887 |
| 3 | *Other capital instruments* | - | - | - | - | - |
| **4** | **Retail deposits and deposits from small business customers, of which:** | **58,011,662** | **15,012,966** | **3,158,224** | **244,512** | **70,316,530** |
| 5 | *Stable deposits* | 28,226,840 | 1,792,783 | 129,411 | 38,015 | 28,679,598 |
| 6 | *Less stable deposits* | 29,784,822 | 13,220,183 | 3,028,813 | 206,497 | 41,636,932 |
| **7** | **Wholesale funding:** | **51,457,974** | **74,962,591** | **17,528,955** | **4,104,023** | **69,781,952** |
| 8 | *Operational deposits* | - | - | - | - | - |
| 9 | *Other wholesale funding* | 51,457,974 | 74,962,591 | 17,528,955 | 4,104,023 | 69,781,952 |
| **10** | **Liabilities with matching interdependent assets** | **-** | **-** | - | - | - |
| **11** | **Other liabilities** | **10,468,174** | **-** | **-** | **436,626** | **-** |
| 12 | *NSFR derivative liabilities* | | - | - | 436,626 | |
| 13 | *All other liabilities and equity not included in the above categories* | 10,468,174 | - | - | - | - |
| **14** | **Total ASF** | | | | | **184,139,370** |
| **Required stable funding (RSF) item** | | | | | | |
| 15 | **Total NSFR high-quality liquid assets (HQLA)** | | | | | **1,693,822** |
| 16 | **Deposits held at other financial institutions for operational purposes** | 727,907 | - | - | - | 363,954 |
| 17 | **Performing loans and securities:** | **877,663** | **43,685,692** | **29,456,482** | **142,062,751** | **155,435,114** |
| 18 | *Performing loans to financial institutions secured by Level 1 HQLA* | - | - | - | - | - |
| 19 | *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions* | - | 2,464,697 | - | 513,730 | 883,435 |
| 20 | *Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:* | - | 40,650,433 | 28,553,117 | 127,883,758 | 142,981,447 |

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## LIQ2: Net Stable Funding Ratio (NSFR)

As of December 31, 2024

SAR 000's

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | Weighted value |
| *(In currency amount)* | | No maturity | <6 months | 6 months to < 1 year | ≥ 1 year | |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk* | - | - | - | - | - |
| 22 | *Performing residential mortgages, of which:* | - | - | - | - | - |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk* | - | 5,032 | 8,250 | 6,105,179 | 3,975,008 |
| 24 | *Securities that are not in default and do not qualify as HQLA, including exchange-traded equities* | 877,663 | 565,530 | 895,116 | 7,560,083 | 7,595,225 |
| 25 | **Assets with matching interdependent liabilities** | - | - | - | - | - |
| 26 | **Other assets:** | **7,028,948** | **-** | **-** | **2,555,892** | **11,941,578** |
| 27 | *Physical traded commodities, including gold* | - | | | | - |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties* | | - | - | - | - |
| 29 | *NSFR derivative assets* | | | | 505,417 | 68,791 |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | | | 436,626 | 87,325 |
| 31 | *All other assets not included in the above categories* | 7,028,948 | | - | 1,613,848 | 11,785,462 |
| 32 | ***Off-balance sheet items*** | | | | 80,217,161 | 759,063 |
| 33 | ***Total RSF*** | | | | | **170,193,530** |
| 34 | ***Net Stable Funding Ratio (%)*** | | | | | **108.19%** |