



PIF
صندوق
الاستثمارات العامة

PUBLIC INVESTMENT FUND

Consolidated Financial Statements and Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2025

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Public Investment Fund

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in million ₪ unless otherwise stated)

	Note	As at 31 December	
		2025	2024
ASSETS			
Cash and deposits with banks and other			
financial institutions	5	354,404	315,912
Investment securities	6	2,161,492	2,164,945
Trade receivables	9	83,360	70,776
Financing and advances	7	799,493	713,049
Derivatives	8	30,402	39,412
Inventories	10	43,004	25,910
Other assets	11	195,924	200,461
Investments in associates and joint ventures	12	212,843	196,866
Investment properties	13	80,492	65,466
Property, plant and equipment	14	429,580	404,230
Intangible assets and goodwill	15	129,793	106,772
Right-of-use assets	16	16,904	13,431
Deferred tax assets		3,347	4,206
TOTAL ASSETS		4,541,038	4,321,436
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	17	734,391	646,045
Loans and borrowings	18	725,255	570,437
Derivatives	8	28,671	28,767
Zakat and income tax	20	8,188	8,474
Trade and other payables	21	288,806	256,287
Provisions	24	19,774	18,650
Lease liabilities	22	17,948	14,656
Employees' benefits	23	15,536	13,705
Deferred government grants	19	68,479	75,627
Deferred tax liabilities		4,918	5,484
TOTAL LIABILITIES		1,911,966	1,638,132
EQUITY			
Capital contribution	25	364,673	364,673
Additional capital contribution	25.1	1,549,567	1,551,885
Retained earnings		674,638	628,145
General reserves	25.2	30,589	30,589
Other reserves	25.3	(221,017)	(109,101)
Equity attributable to owner of the Fund		2,398,450	2,466,191
Non-controlling interest	26	230,622	217,113
TOTAL EQUITY		2,629,072	2,683,304
TOTAL LIABILITIES AND EQUITY		4,541,038	4,321,436



The Governor
Yasir O. Al-Rumayyan



Chief Financial Officer
Yasir Alsalman

Public Investment Fund

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in million ₪ unless otherwise stated)

		<i>For the year ended 31 December</i>	
	<i>Note</i>	<u>2025</u>	<u>2024</u>
Revenue	28	312,034	284,005
Income from investment activities	28.3	137,905	129,418
Total revenue		449,939	413,423
Cost of revenue	29	(207,026)	(189,164)
Other operating income / (expense), net	30	1,181	(48)
Selling and distribution expenses	31	(15,252)	(15,975)
General and administrative expenses	32	(156,979)	(171,913)
Net impairment losses on financial assets	36	(3,642)	(4,421)
Share of profit of associates and joint ventures, net	12	9,762	2,773
OPERATING PROFIT		77,983	34,675
Finance cost	33	(18,685)	(14,636)
Finance income	34	11,317	11,751
PROFIT BEFORE ZAKAT AND INCOME TAX		70,615	31,790
Zakat and income tax expense	20	(5,428)	(5,970)
PROFIT FOR THE YEAR		65,187	25,820
Attributable to:			
Owner of the Fund		46,416	11,033
Non-controlling interest		18,771	14,787
		65,187	25,820

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

Public Investment Fund

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in million ₪ unless otherwise stated)

	Note	<i>For the year ended 31 December</i>	
		<u>2025</u>	<u>2024</u>
Profit for the year		65,187	25,820
Other Comprehensive Income			
<i>Items that are or may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Debt instruments measured at FVOCI - net changes in fair value		2,387	1,082
Foreign operations - foreign currency translation differences		1,638	(4,478)
Share of other comprehensive income of associates and joint ventures	12	672	1,057
Share of other comprehensive loss of associates and joint ventures transferred to statement of profit or loss		85	-
Net loss on hedges of net investments		(604)	(216)
Cash flow hedges - effective portion of changes in fair value		(1,043)	878
		<u>3,135</u>	<u>(1,677)</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net loss on equity instruments designated at fair value through other comprehensive income		(112,822)	(164,210)
Remeasurement loss on employees' defined benefits obligation		(617)	(49)
Share of other comprehensive income of associates and joint ventures	12	106	57
		<u>(113,333)</u>	<u>(164,202)</u>
Total other comprehensive loss for the year, net of tax		<u>(110,198)</u>	<u>(165,879)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(45,011)</u>	<u>(140,059)</u>
Attributable to:			
Owner of the Fund		(64,747)	(154,378)
Non-controlling interest		19,736	14,319
		<u>(45,011)</u>	<u>(140,059)</u>

The Governor
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Public Investment Fund

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in million ₪ unless otherwise stated)

For the year ended 31 December 2025

	Attributable to the Owner of the Fund							Non-controlling interest *	Total equity
	Note	Capital contribution	Additional capital contribution	General reserves	Other reserves	Retained earnings	Total		
As at 1 January 2025		364,673	1,551,885	30,589	(109,101)	628,145	2,466,191	217,113	2,683,304
Profit for the year		-	-	-	-	46,416	46,416	18,771	65,187
Other comprehensive (loss) / income		-	-	-	(111,163)	-	(111,163)	965	(110,198)
Total comprehensive (loss) / income		-	-	-	(111,163)	46,416	(64,747)	19,736	(45,011)
Contribution from the Owner	25.1	-	54,184	-	-	-	54,184	-	54,184
Acquisition of subsidiaries		-	-	-	-	-	-	9,701	9,701
Dividends		-	-	-	-	-	-	(17,042)	(17,042)
Transaction with the Owner	25.1	-	(56,502)	-	-	-	(56,502)	-	(56,502)
Changes in ownership interests that do not result in a loss of control (**)		-	-	-	-	766	766	(567)	199
Reclassification of FVOCI reserve to retained earning		-	-	-	(1,063)	1,063	-	-	-
Tier 1 Sukuk and capital notes, net		-	-	-	-	(395)	(395)	(310)	(705)
Other movements, net		-	-	-	310	(1,357)	(1,047)	1,991	944
As at 31 December 2025		364,673	1,549,567	30,589	(221,017)	674,638	2,398,450	230,622	2,629,072

* Non-controlling interest as at 31 December 2025 include Tier 1 Sukuk and Capital Notes amounting to ₪ 19,528 million (as at 31 December 2024: Tier 1 Sukuk amounting to ₪ 19,188 million).

** Includes capital contribution by NCI in subsidiaries.

Public Investment Fund

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(All amounts in million ₪ unless otherwise stated)

For the year ended 31 December 2024

Attributable to the Owner of the Fund

	Note	Capital contribution	Additional capital contribution	General reserves	Other reserves	Retained earnings	Total	Non- controlling interest *	Total equity
As at 1 January 2024		364,673	942,919	30,589	60,072	616,312	2,014,565	198,270	2,212,835
Profit for the year		-	-	-	-	11,033	11,033	14,787	25,820
Other comprehensive loss		-	-	-	(165,411)	-	(165,411)	(468)	(165,879)
Total comprehensive (loss) / income		-	-	-	(165,411)	11,033	(154,378)	14,319	(140,059)
Contribution from the Owner	25.1	-	645,364	-	-	-	645,364	-	645,364
Reclassification of historical funding	19	-	(36,398)	-	-	-	(36,398)	-	(36,398)
Dividends		-	-	-	-	-	-	(12,913)	(12,913)
Changes in ownership interests that do not result in a loss of control (**)		-	-	-	-	395	395	11,257	11,652
Reclassification of FVOCI reserve to retained earning		-	-	-	(2,945)	2,945	-	-	-
Tier 1 Sukuk, net		-	-	-	-	(216)	(216)	5,641	5,425
Other movements, net		-	-	-	(817)	(2,324)	(3,141)	539	(2,602)
As at 31 December 2024		<u>364,673</u>	<u>1,551,885</u>	<u>30,589</u>	<u>(109,101)</u>	<u>628,145</u>	<u>2,466,191</u>	<u>217,113</u>	<u>2,683,304</u>

* Non-controlling interest as at 31 December 2025 include Tier 1 Sukuk and Capital Notes amounting to ₪ 19,528 million (as at 31 December 2024: Tier 1 Sukuk amounting to ₪ 19,188 million).

** Includes capital contribution by NCI in subsidiaries.

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

Public

The notes 1 to 46 form an integral part of these consolidated financial statements.

Public Investment Fund

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in million ₪ unless otherwise stated)

	Note	For the year ended 31 December	
		2025	2024
OPERATING ACTIVITIES			
Profit before zakat and income tax		70,615	31,790
Adjustments for:			
Depreciation, amortization and impairment of investment properties, PPE, intangible assets and right-of-use assets	13,14,15,16	88,087	111,123
Impairment loss on financial assets and contract assets, net	36	3,642	4,421
Impairment loss on associates and joint ventures	30	3,461	936
Net gain from sale of investments in associates and joint ventures		(938)	(185)
Net (gain) / loss on settlement/sale of non-FVTPL financial instruments		(563)	4
Net gain from fair value changes in financial instruments measured at FVTPL		(67,113)	(39,712)
Realized income on redemption / disposal of investments measured at FVTPL, net	28.3	(1,829)	(3,481)
Finance income	34	(11,317)	(11,751)
Finance cost	33	18,685	14,636
Other expenses - net		2,148	2,743
Share of profit of associates and joint ventures, net	12	(9,762)	(2,773)
Provision for slow moving and obsolete inventories and NRV	10	3,614	3,025
Provision for employees' benefit obligations	23	2,275	2,145
Amortization of / income from deferred government grants	30	(10,503)	(4,576)
Net foreign exchange differences		(1,681)	810
Dividend income from investments securities		(65,796)	(84,264)
		23,025	24,891
Changes in:			
Inventories		(15,411)	(3,409)
Trade receivables		(12,163)	(14,476)
Other assets		(20,306)	(47,255)
Financing and advances		(87,597)	(55,489)
Due from bank and other financial institutions with original maturity over three months		2,213	(4,466)
Trade and other payables		19,451	30,324
Customer deposits		88,350	(39,177)
Due to banks and other financial institutions		5,445	9,586
Investments held at FVTPL [banking operations]		(5,722)	(3,727)
Fair value of derivatives, net		8,914	(8,673)
		6,199	(111,871)
Other items within operating activities			
Finance costs paid		(16,742)	(8,235)
Finance income received		15,127	10,785
Dividend income received from investment securities		65,874	84,316
Purchase of investment securities [investment operations]		(164,247)	(137,595)
Proceeds from disposal/redemption of investment securities [investment operations]		179,352	222,833
Employees' end of service benefits paid	23	(2,239)	(1,167)
Other provisions paid during the year	24	(1,667)	(2,552)
Zakat and income tax paid		(6,184)	(6,081)
Net cash generated from operating activities		75,473	50,433

Public Investment Fund

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(All amounts in million ₪ unless otherwise stated)

	Note	For the year ended 31 December	
		2025	2024
INVESTING ACTIVITIES			
Purchase of investment properties, PPE and intangible assets	13,14,15	(173,544)	(172,739)
Proceeds from disposal of investment properties, PPE and intangible assets		3,207	1,115
Acquisition of subsidiaries - net of cash acquired		(18,273)	(49)
Net cashflow from disposal of subsidiaries		-	3,925
Investments made in associates and joint ventures	12	(12,014)	(27,469)
Dividends received from associates and joint ventures		6,806	5,998
Purchase of investment securities [non-banking and non-investment operations]		(22,745)	(21,105)
Purchase of investment securities (other than held at FVTPL) [banking operations]		(89,522)	(85,706)
Proceeds from sale of investment securities [non-banking and non-investment operations]		12,266	22,630
Proceeds from sale of investments made in investment securities (other than held at FVTPL) [banking operations]		63,676	61,861
Net movement in deposits with banks and other financial institutions and restricted cash [non-banking operations]	5	5,541	6,196
Other investing activities		(1,746)	2,009
Net cash used in investing activities		(226,348)	(203,334)
FINANCING ACTIVITIES			
Capital contribution by the Owner	25	54,303	16,185
Gross proceeds from borrowings [non-banking operations]		135,863	86,653
Repayment of borrowings [non-banking operations]		(41,277)	(43,121)
Payment of principal portion of lease liabilities	22	(4,395)	(3,830)
Proceed from debts issued and other borrowed funds [banking operations]	18	197,873	123,070
Repayment of debts issued and other borrowed funds [banking operations]	18	(144,688)	(71,624)
Tier 1 Sukuk and capital notes, net		(705)	5,425
Receipts from Government grants		19,629	34,287
Dividends paid to non-controlling interests		(17,039)	(12,913)
Other financing activities		(1,655)	7,616
Net cash generated from financing activities		197,909	141,748
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		47,034	(11,153)
Net foreign exchange differences		(788)	(990)
Cash and cash equivalents at beginning of the year	5.3	231,293	243,436
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5.3	277,539	231,293

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in million ﷻ unless otherwise stated)

1. ACTIVITIES

The Public Investment Fund ("PIF" or the "Fund") was established on 25 Jumada Al-Thani 1391H (corresponding to 18 August 1971G) by virtue of Royal Decree No. M/24. The Fund was established with the aim of funding key projects and companies and providing financial support to initiatives of strategic importance to the national economy and operated as an administrative department of the Ministry of Finance and National Economy with the authority to carry out functions for which it was established.

Pursuant to Royal Decree No. M/62 dated 4 Shawal 1435H (corresponding to 31 July 2014G) PIF was further authorized to invest in existing companies or to establish new companies, within or outside of the Kingdom of Saudi Arabia, either alone or in partnership with third parties from the public or private sectors.

On 3 Jumada Al-Thani 1436H (corresponding to 23 March 2015G), the Council of Ministers' issued its Resolution No. 270, moving PIF's stewardship from the Ministry of Finance to the Council of Economic and Development Affairs ("CEDA") with His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Prime Minister, and Chairman of CEDA, becoming the Chairman of PIF's board.

The Fund's sources of funds are proceeds from divestments, dividends and investment distributions. In addition, the Fund's funding sources are supplemented by borrowings, asset transfers and capital contributions from the Government of the Kingdom of Saudi Arabia ("the Owner", or "the Government").

The Public Investment Fund is developing a portfolio of domestic and international investments, diversified across sectors, geographies and asset classes. PIF has investments in subsidiaries, associates and joint ventures. The details and the principal activities of direct subsidiaries are disclosed in note 40. The details and the principal activities of direct associates and joint ventures are disclosed in note 12.

The Group's banking operations comprise of retail banking, corporate banking, investment banking services, treasury and asset management, and are referred to as 'Banking Operations'. The Group's Banking Operations and its real estate refinancing activities are collectively referred to as 'Banking and Financing Operations'. The Group's investment operations activities comprise of investment management services where its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both and is referred to as 'Investment Operations'.

Official address of PIF is The Public Investment Fund Tower, 1.16 King Abdullah Financial District, Al Aqiq district, Riyadh 13519, Kingdom of Saudi Arabia.

These consolidated financial statements of PIF and its subsidiaries (together referred to as the "Group") have been approved and authorized for issue by the Board of Directors of PIF on _____ XXXX 1448 (corresponding to _____ June 2026G).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS endorsed in the Kingdom of Saudi Arabia").

2.2 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR" or "ﷻ"), which is the Fund's functional currency, being the currency of the primary economic environment in which it operates. All amounts have been rounded to the nearest million SAR, unless otherwise indicated.

(All amounts in million \$ unless otherwise stated)

2. BASIS OF PREPARATION (continued)


2.3 Accounting convention

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention modified to include the fair value of certain financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The consolidated statement of financial position is presented in the order of liquidity.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are divided into:

- the material accounting policies applied in the comprehensive preparation of the consolidated financial statements and cannot be assigned to specific note.
- other material accounting policies applicable to a particular note within the consolidated financial statements. They can be identified by the following symbol 

The material accounting policies applied in preparing these consolidated financial statements are consistent with those applied in comparative year presented.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries (the “Group”). Subsidiaries are entities controlled by the Group. The list of direct subsidiaries is provided in note 40.

The Group controls an investee if and only if the Group has all of the following:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it exercises control over the investee, including:

- Contractual arrangement(s) with other voting rights holders in the investee entity;
- Rights arising from other contractual arrangements; and
- Group’s voting rights and potential voting rights.

Special Purpose Vehicles (“SPVs”) are entities that are created to accomplish a well-defined objective; for instance, the investment in particular asset, fund or a project, or the execution of a specific borrowing or lending transaction. These circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPV.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation. Profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.2 Common control transactions

Transactions involving the acquisition of set of activities and assets (that would meet the definition of a business) under common control of the Owner, which are based on a decision by the Owner and where the transaction has economic substance (driven by market forces) are accounted for using the acquisition method. For transactions involving the acquisition of set of activities and assets (that would meet the definition of a business) under common control of the Owner, which are based on a decision by the Owner and where the transaction does not have any economic substance (driven by market forces), the Group adopts the pooling of interest method.

Under the pooling of interest method (predecessor values method), the carrying value of assets and liabilities in the books of the transferor (as adjusted to comply with Group accounting policies), are used to account for these transactions. The consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. No goodwill is recognized as a result of the transfer. The only goodwill recognized is any pre-existing goodwill that existed in the combining entities. Any difference between the consideration paid and the net assets acquired is reflected within equity. Any transaction cost paid for acquisition is recognized directly in equity.

Transactions involving the acquisition of set of activities and assets (that is not deemed to meet the definition of a business) under common control of the Owner, the assets acquired and liabilities assumed shall be accounted for using the requirements of the relevant IFRS standards depending on the nature of the assets acquired and liabilities assumed.

Disposals of interest in entities to parties under common control of the Owner, which lack economic substance (driven by market forces) and are based on a decision by the Owner are accounted for on the date of transfer without restatement of prior years. Any gain or loss arising on such transaction is recorded directly in equity.

When disposals of interest in entities to parties under common control of the Owner have economic substance (driven by market forces), the difference between the fair value of the consideration received and the net carrying value of interest in such entities is recorded in the consolidated statement of profit or loss.

A number of factors are considered in assessing whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not the transaction brings entities together into a 'reporting entity' that did not exist before.

3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Fair value measurement (continued)

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of land transferred from the Government, is determined by the highest and best use of the asset for the purpose of disclosure. When calculating the fair value of land, valuation techniques that are appropriate in the circumstances are used.

The highest and best use takes into account the asset's use that is:

- physically possible – taking into account the physical characteristics that market participants would consider (for example, property location or size);
- legally permissible – taking into account the legal restrictions on the asset's use that market participants would consider (for example, planning or zoning regulations); and
- financially feasible – taking into account whether an asset's use generates adequate income or cash flows to produce an investment return that market participants would require. This should incorporate the costs of converting the asset to that use.

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Assets and liabilities that are categorized at fair value on a recurring basis, their fair value hierarchy and the valuation techniques used by the Group are disclosed within note 43.

3.4 Financial Instruments

(a) Recognition and initial measurement

The Group recognizes trade receivables and debt securities issued initially when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(b) Classification and subsequent measurement

▪ Financial assets

On initial recognition, a financial asset is classified as held at: amortized cost; Fair Value through Other Comprehensive Income ("FVOCI"); or Fair Value through Profit or Loss ("FVTPL").

The Group's financial assets include derivative financial instruments (note 8), investment securities (note 6), other financial assets (note 11), financing and advances (note 7), cash and deposits with banks and financial institutions (note 5) and trade receivables (note 9).

i) Financial asset at amortized cost

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

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

These assets are subsequently measured at amortized cost using the effective interest method ("EIR"). The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.

ii) Financial asset at fair value through other comprehensive income (FVOCI)

a. Debt instruments

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.

b. Equity instruments

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

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ *Financial assets (continued)*

iii) Financial asset at fair value through profit or loss (FVTPL)

All financial assets not classified as held at amortized cost or FVOCI as described above are classified as FVTPL.

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

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss. For derivatives designated as hedging instruments, refer to note 8 'Derivatives'.

Business model assessment

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

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

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

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)

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

▪ *Financial liabilities*

Financial liabilities other than derivatives financial instruments are classified at amortized costs.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include derivative financial instruments (note 8), loans and borrowings including bank overdrafts (note 18), trade and other payables (note 21) and customers' deposits (note 17).

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ *Financial liabilities (continued)*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

ii) Financial liabilities at amortized cost

This is the category most relevant to the Group. After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of profit or loss.

(c) Derecognition

▪ *Financial assets*

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

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

Any cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognized in the consolidated statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

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

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(c) Derecognition (continued)

▪ **Financial liabilities**

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

(d) Modifications of financial assets and financial liabilities

▪ **Financial assets**

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

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

▪ **Financial liabilities**

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

(e) Impairment of financial assets

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

- financial assets measured at amortized cost and debt instruments measured at FVOCI;
- contract assets (as defined in IFRS 15);
- financial guarantee contracts issued; and
- lease receivables;
- loan commitments issued

No impairment loss is recognized on equity investments recognized under IFRS 9 requirements.

The Group measures impairment allowances either using the general approach or simplified approach as considered appropriate.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(e) Impairment of financial assets (continued)

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

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

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

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group applies a three-stage approach to measuring Expected Credit Loss ("ECL") on investments and assets held at amortized cost and undrawn loan commitments. The Group assesses on a forward-looking basis the expected credit loss. Assets migrate through the following three stages based on the change in credit quality since initial recognition. Moreover, the Group has applied practical expedient, where the Group did not have requisite information.

The Group categorizes its financial assets into following three stages:

- stage 1 (12 months ECL) – 12 months ECL is recognized for financial assets with credit exposures where there has not been a significant increase in credit risk since initial recognition, and that are not credit impaired upon origination
- stage 2 (Lifetime ECL- not credit impaired) – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on lifetime Probability of Default ("PD").
- stage 3 (Lifetime ECL- credit impaired) – for financial assets that are impaired, the Group recognizes the impairment allowance based on lifetime ECL.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows, which includes amounts recoverable from guarantees and collateral;

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(e) Impairment of financial assets (continued)

- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less cash flows that the Group expects to receive, if any.

Expected credit losses are discounted to the reporting date at the effective interest rate (EIR) determined at initial recognition or an approximation thereof and consistent with income recognition.

The key inputs into the measurement of ECL are the term structure of the following variables: Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD). These parameters are generally derived from statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. Refer to note 4 and note 39.

(f) Restructured financial assets

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

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

(g) Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

(All amounts in million ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(h) Presentation of ECL in the consolidated statement of financial position

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

- **Financial assets measured at amortized cost**
As a deduction from the gross carrying amount of the assets.
- **Loan commitments and financial guarantee contracts**
Generally, as a provision; in other liabilities.
- **Financial instrument includes both a drawn and an undrawn component**
Where the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.
- **Debt instruments measured at FVOCI**
Allowance for ECL will not reduce the carrying amount of the financial asset in the consolidated statement of financial position. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of these financial assets.

(i) Write off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries are netted off against the ECL charges.

(j) Collaterals

- **Collateral repossessed by the Group's banking entities**
The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are initially stated at the lower of net realizable value of due financing and advances or the current fair value of such related assets, less any costs to sell (if material). No depreciation is charged on such assets. Subsequent to the initial recognition for assets held for sale, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value.
- **Collateral repossessed by the external agents of the Group's banking entities**
Some of the Group's banking entities do not physically repossess properties or other assets in their financing portfolio, but engage external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(All amounts in million \$ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial Instruments (continued)

(i) Sale and repurchase agreements (including securities lending and borrowings)

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

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and deposits with banks and other financial institutions" or "financing and advances" as appropriate. The difference between purchase and resale price is treated as special commission income which is accrued over the life of the reverse repo agreement using the effective yield basis.

Securities borrowing and lending transactions are typically secured; collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the consolidated statement of financial position. Securities borrowed are not recognized on the consolidated statement of financial position, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a 'financing and advances' or 'customer deposits', respectively.

3.5 Foreign currencies

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in other comprehensive income.

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

(b) Group companies

On consolidation, the assets and liabilities of foreign operations whose functional currency is not the currency of a hyperinflationary economy, are translated into Saudi Riyals, at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates for the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to the consolidated statement of profit or loss.

If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the foreign exchange translation reserve is allocated to the non-controlling interest. The deferred cumulative amount of exchange differences recognized in equity will be reclassified in the consolidated statement of profit or loss at the time of any future disposal or partial disposal with loss of control.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million \$ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5 Foreign currencies (continued)

(b) Group companies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3.6 Dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control)

Determining whether the Group has control of an entity is based on ownership of the majority of the voting rights however in certain instances this determination will involve significant judgment. The Group considers it controls various entities with less than 50% of the voting rights (de facto control). Factors that result in de-facto control conclusions are ranging from voting rights held by the Group relative to other investors, composition of other investors, representation at the board of directors of investees, attendance in annual general meetings, history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group and material financing transactions with investee companies. Significant entity is as follows:

Entity name	31 December 2025	31 December 2024
Saudi National Bank (SNB)	37.24%	37.24%

4.2 Non-consolidation of investments in which the Group holds more than 50% of voting rights

The Group considers certain investments as an associate despite having more than 50% of voting rights. This is due to the involvement of another party, who have the right to direct the relevant activities of the entities. Accordingly, the Group is only able to exercise significant influence over the entity. List of investments where the Fund holds more than 50% is disclosed in Note 12.2.

In case of Saudi Energy Company (Se) (formerly Saudi Electricity Company (SEC)), the Group holds 75.10% shares (2024: 75.10%). A Ministerial Committee was established to govern the relevant activities of Se through which the Group is able to exercise significant influence but not control. Accordingly, Se is classified as an associate since the establishment of the Ministerial Committee.

4.3 Classification of investments in which the Group holds less than 20% of voting rights

The Group considers certain investments as an associate despite having less than 20% of voting rights. The Fund evaluates significant influence over entities based on various factors including voting rights held by the Fund relative to other investors, composition of other investors, representation at the board of directors of investees, attendance in annual general meetings and material financing transactions with investee companies. Refer note 12.2 for list of investments in associates.

4.4 Investment in joint ventures

The Group has assessed that it has joint control over some of its investments (refer to note 12), as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements are structured to provide the Group and the parties to the agreements with rights to the net assets of these entities under the arrangements. Therefore, these arrangements are classified as joint ventures.

(All amounts in million \$ unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.5 Classification and determination of control over investment in funds

The Group acts as fund manager to a number of investment funds. The Group assesses the classification of its funds to determine whether in accordance with the terms of the investment agreement the Group has control or significant influence over the funds. The assessment of 'control' requires the Group to evaluate whether the Group has the power to direct the financial and operational policies of the fund, is exposed to and has rights to variable returns from the fund and also has the ability to affect those returns through its power over the fund. The determination of whether the Group controls an investment fund is based on an assessment of the aggregate economic interests of the Group in the fund and includes an assessment of any carried interests, expected management fees, and the investors' rights to remove the Group as fund manager. Management is required to conclude whether the Group acts as an agent for the investors in the fund, or if the underlying fund is controlled by the Group.

The assessment of 'significant influence' requires the Group to evaluate whether the Group has the power to participate in the financial and operational policies of the fund, but no control or joint control.

Based on the assessment performed, the Group does not have control or have significant influence over the funds; accordingly, the Group has classified its investment in the funds at fair value. In reaching this conclusion, following are some of the key factors identified as part of the Group's investment in the fund:

- the Group is the limited partner;
- the general partner has the right to make and amend the financial and operating policies; and
- limited or no right of the Group to remove general partner from the position of the fund manager.

4.6 Structured entities

A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group. The Group considers its investment in SoftBank Vision Fund L.P ("SoftBank Fund") to be investment in unconsolidated structured entity, as SoftBank Fund is designed to achieve a specific business purpose.

SoftBank Fund is not consolidated because the Group does not control SoftBank Fund through voting rights, contract, funding agreements, or other means. The extent of the Group's interests in unconsolidated structured entity will vary depending on SoftBank Fund's business objectives. The Group invests in SoftBank Fund whose objective range from achieving medium to long term capital growth. SoftBank Fund is managed by unrelated investment manager i.e. fund manager and apply various investment strategies to accomplish the investment objectives. SoftBank Fund finances its operations by offering a limited partnership which entitles the holder to a proportional stake in SoftBank Fund's net assets. The Group holds limited partnership interest in SoftBank Fund (refer to note 42).

The Group has assessed the classification of its investments through SoftBank Fund, whether the instruments fall under the guidance of contractually linked instruments considering the structure and distribution mechanism under the Limited Partnership Agreement. Considering the said agreement and structure, the Group has assessed the applicability of the non-recourse guidance and accordingly Group's investment in equity instruments has been classified as an investment measured at fair value through profit or loss while the investment in debt instrument, which meets the solely payments of principal and interest criteria ('SPPI') has been classified at amortized cost.

4.7 Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(All amounts in million ₪ unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**4.7 Revenue from contracts with customers (continued)*****(a) Determining transaction price and allocation (Arrangements with multiple deliverables)***

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis. Revision to the estimates of these fair values may significantly affect the allocation of total arrangement consideration among the individual elements.

(b) Determining the timing of satisfaction of performance obligation

The Group recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised goods or services to its customers. An asset is transferred when (or as) the customer obtains control of that asset, which is upon delivery of goods or services. Significant judgment is required to evaluate when the control is transferred to the customer.

(c) Method to recognize revenue over time

The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations when revenue is recognized over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognized. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

(d) Principal versus agent considerations

The Group enters into contracts with its customers for supply of goods or services. The Group determines whether it controls the goods or services before they are transferred to customers, and it has the ability to direct the use of the goods or services or obtain benefits from them.

The following factors indicate that the Group controls the goods or services before they are being transferred to customers:

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or services.
- The Group has inventory risk before the specified goods has been transferred to the customers.
- The Group has discretion in establishing the price for the specified goods or services.

When the Group sells goods or services as a principal, revenue and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

(e) Consideration of significant financing component in a contract

Using the practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group concluded that there is no significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of goods or services to the customer.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.8 Estimated useful lives of intangible assets, investment properties and property, plant and equipment

The Group's management determines the estimated useful lives of its intangible assets, investment properties and property, plant and equipment for calculating amortization and depreciation. Estimated useful life is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. The Group reviews the estimated useful lives of these assets at the end of each annual reporting period.

4.9 Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. The Group deducts the unamortized balance of related Deferred Government Grant carried in the consolidated statement of financial position from the carrying amount of the related asset or CGU being tested for impairment. The Grant will continue to be reported as a liability and will be released to the consolidated statement of profit or loss as and when the assets are capitalized and depreciated.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations. Significant assumptions used in preparing discounted cash flow models include growth rates, expected future cash flows, operating costs, capital expenditures, and discount rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of profit or loss and the resulting carrying values of related assets.

Impairment assessment of goodwill

Goodwill is tested for impairment on an annual basis. The recoverable amount of the CGUs is generally determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering five to ten-year period. Cash flows beyond the period used in the calculation are extrapolated using the estimated growth rates as stated in note 15. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. Where CGU represents a subsidiary for which quoted market price is available, the Group calculates the recoverable amount based on the fair value less cost to sell approach using the closing quoted market price of the CGU (i.e. subsidiary).

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

4.10 Classification of financial assets

When the Group classifies financial assets, it makes judgments to:

- assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding;
- determine the classification of certain financial assets as measured at FVTPL or at FVOCI; and
- determine fair value at the time of reclassification.

(All amounts in million \$ unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**4.11 Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the consolidated financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using a variety of valuation technique including the discounted cash flow (DCF) model, market comparable approach, replacement cost model, and residual value method. The input to these models is derived from observable markets where available and possible, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and market volatility. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far available. Judgements are involved in categorizing the fair value into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

4.12 Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, expected loss rates, forecast economic conditions and ECLs is a significant estimate. The Group uses judgement in making these assumptions and selecting the inputs of the impairment calculation, based on the past history, existing market and conditions as well as forward looking estimates at the end of each reporting period. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4.13 Impairment of other financial assets

General impairment approach under IFRS 9 involves several important areas of judgement, including estimating forward-looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Group's experience of managing credit risk.

Within the consumer and credit card portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring and similar techniques are generally used, the impairment allowance is calculated using forward-looking modelled parameters which are typically run at account level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge are needed in selecting the statistical methods to use when the models are developed or revised. Management adjustments to impairment models, which contain an element of subjectivity, are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where appropriate. Also refer note 3.4 (e).

4.14 Identification of Cash Generating Units (CGUs)

The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, generation of independent cash flows by the assets, the existence of active markets and external users. Significant judgement is involved in determination of the CGUs.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.15 Government grants provided in capacity of government

The Group follows the guidance in IAS 20 (Government grants) and the conceptual framework to determine when assistance received from the government meets the definition of government grant. This determination requires significant judgement. In making this judgement, the Group evaluates, among other things if the government assistance to the Group represents assistance awarded in return for the fulfilment of past or future compliance with certain conditions relating to the operating activities of the Group which are required to be achieved. The Group determines whether such transactions are clearly distinguishable from capital contributions where the government is acting in their capacity as government and not the shareholder of the Group.

During 2024, there was a change in the estimate, which resulted in reclassification of historical funding (refer note 19.1).

4.16 Zakat, income tax and deferred tax

The subsidiaries of the Group that are subject to Zakat collection and/or income tax (refer note 20) recognize liabilities for any anticipated Zakat and income tax based on management's best estimates of whether additional Zakat/taxes will be due. The final outcome of any additional amount assessed by the Zakat, Tax and Customs Authority ("ZATCA") depends on the eventual outcome of the appeal process to which the subsidiary is entitled. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit and loss in the period in which such final determination is made.

(All amounts in million ₪ unless otherwise stated)

5. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**Material accounting policies that apply to cash and deposits with banks and financial institutions*****Cash and cash equivalents***

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in (i) cash and current accounts excluding restricted balances, (ii) balances with Central Banks, excluding statutory deposits, and (iii) short-term deposits with banks and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

5.1 Banking and Financing Operations***(a) Cash and balances with Central Banks***

	<u>2025</u>	<u>2024</u>
Money market placements and current accounts	61,906	33,885
Short-term statutory deposits	38,044	36,488
Cash in hand	8,467	7,549
Total cash and balances with Central Banks	<u>108,417</u>	<u>77,922</u>

(b) Due from banks and other financial institutions, net

Money market placement	25,061	30,365
Current account	22,165	19,119
Reverse repurchase agreement	4,789	4,522
Total due from banks and other financial institutions, net	<u>52,015</u>	<u>54,006</u>
Total (A) = (a) + (b)	<u>160,432</u>	<u>131,928</u>

5.2 Non-Banking and Non-Financing Operations

	<u>2025</u>	<u>2024</u>
Cash at banks and in hand	73,638	74,939
Balances with other financial institutions	11,685	10,916
Islamic Murabaha deposits	34,808	52,169
Conventional deposits with banks	73,841	45,960
Total (B)	<u>193,972</u>	<u>183,984</u>
Total cash and deposits with banks and other financial institutions, net (A + B)	<u>354,404</u>	<u>315,912</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

5. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

5.3 Cash and cash equivalents

	<u>2025</u>	<u>2024</u>
Total cash and deposits with banks and other financial institutions, net	354,404	315,912
Less: Statutory deposits	(38,044)	(36,488)
Less: Restricted balances	(1,545)	(3,940)
Less: Due from banks and financial institutions with original maturity more than 3 months	(11,929)	(15,698)
Less: Short term deposits, Murabaha and other certificates with original maturity more than 3 months	(25,347)	(28,493)
Cash and cash equivalents	<u>277,539</u>	<u>231,293</u>

5.4 Other disclosures related to cash and deposits with banks and other financial institutions

- (a) Cash and deposits with banks and other financial institutions include statutory deposits relating to reserve requirements maintained by the Group with the Central Banks of respective jurisdictions ("Central Banks"). The reserves placed with the Central Banks are not available for use in the day-to-day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks. Therefore, statutory deposits are not part of cash and cash equivalent.
- (b) Interest rates and special commission income on deposits range from 1.60% to 7.95% (2024: from 1.24% to 7.95%).

6. INVESTMENT SECURITIES

6.1 Classification of Group's investments

	<u>2025</u>	<u>2024</u>
Measured at fair value through profit or loss (FVTPL)		
Equities, mutual funds and hedge funds	655,373	623,145
Fixed rate debt securities	21,144	14,709
Floating rate debt securities	12,390	337
Investment securities measured at FVTPL (A)	<u>688,907</u>	<u>638,191</u>
Measured at fair value through other comprehensive income (FVOCI)		
Equities	1,128,038	1,200,612
Fixed rate debt securities	77,626	76,610
Floating rate debt securities	16,330	16,286
Investment securities measured at FVOCI (B)	<u>1,221,994</u>	<u>1,293,508</u>
Measured at amortized cost		
Fixed rate debt securities	207,468	195,412
Floating rate debt securities	44,242	38,830
Sub-total	251,710	234,242
Allowance for ECL	(1,119)	(996)
Investment securities measured at amortized cost (C)	<u>250,591</u>	<u>233,246</u>
Total investment securities (A+B+C)	<u>2,161,492</u>	<u>2,164,945</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ٫ unless otherwise stated)

6. INVESTMENT SECURITIES (continued)

6.2 The product-wise breakdown of the investment securities, net of ECL is as follows:

	<u>2025</u>	<u>2024</u>
Equities and investment funds	1,783,411	1,823,757
Bonds and Sukuk issued by Sovereign entities	244,439	223,699
Bonds and Sukuk issued by others	55,054	47,715
Bonds and Sukuk issued by banks and financial institutions	27,624	23,382
Other debt securities	50,964	46,392
Total investment securities	<u>2,161,492</u>	<u>2,164,945</u>

6.3 The currency analysis of the investment securities, net of ECL is as follows:

	<u>2025</u>	<u>2024</u>
SAR	1,219,375	1,386,421
USD	739,171	610,332
EUR	68,993	53,277
JPY	50,982	35,019
HKD	30,000	24,978
INR	21,778	20,433
Other currencies	31,193	34,485
Total investment securities	<u>2,161,492</u>	<u>2,164,945</u>

Other currencies mainly include Chinese Yuan and Canadian Dollar.

6.4 The geographic analysis of the Group's investment securities, net of ECL is as follows:

	<u>2025</u>	<u>2024</u>
MENA region	1,290,809	1,459,307
North America	547,084	428,686
Europe	167,633	156,302
Others	155,966	120,650
Total investment securities	<u>2,161,492</u>	<u>2,164,945</u>

Others mainly include investments in India, China, Japan and Hong Kong.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

6. INVESTMENT SECURITIES (continued)

6.5 Disclosures for debt securities carried at amortized cost

(a) The movement of changes in the gross amount of debt instruments carried at amortized cost:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2025	231,444	1,892	906	234,242
Newly originated or purchased	47,184	-	-	47,184
Repayment / disposal	(28,983)	(241)	-	(29,224)
Other adjustments	(784)	48	244	(492)
	248,861	1,699	1,150	251,710
Allowance for ECL	(33)	(9)	(1,077)	(1,119)
As at 31 December 2025	248,828	1,690	73	250,591
As at 1 January 2024	223,365	2,279	969	226,613
Newly originated or purchased	44,032	123	-	44,155
Repayment / disposal	(35,486)	-	-	(35,486)
Other adjustments	(467)	(510)	(63)	(1,040)
	231,444	1,892	906	234,242
Allowance for ECL	(131)	(8)	(857)	(996)
As at 31 December 2024	231,313	1,884	49	233,246

(b) Analysis of unrealized revaluation gains/(losses) and fair value of investments held at amortized cost:

	<i>Carrying value as at 31 December</i>	<i>Gross unrealized profit</i>	<i>Gross unrealized loss</i>	<i>Fair value as at 31 December</i>
2025				
Fixed rate debt securities	207,468	607	(11,591)	196,484
Floating rate debt securities	44,242	345	(623)	43,964
Allowance for ECL	(1,119)	-	-	(1,119)
Total	250,591	952	(12,214)	239,329
2024				
Fixed rate debt securities	195,412	177	(13,886)	181,703
Floating rate debt securities	38,830	785	(375)	39,240
Allowance for ECL	(996)	-	-	(996)
Total	233,246	962	(14,261)	219,947

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

6. INVESTMENT SECURITIES (continued)

6.6 Disclosures for debt securities carried at FVOCI

(a) The movement of changes in the debt instruments carried at FVOCI is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2025	92,711	185	-	92,896
Newly originated or purchased	39,607	-	-	39,607
Repayment / disposal	(39,408)	-	-	(39,408)
Change in fair value	1,063	6	-	1,069
Transfers to Stage 1	9	(9)	-	-
Transfers to Stage 2	(5)	5	-	-
FX adjustment	(240)	32	-	(208)
As at 31 December 2025	93,737	219	-	93,956
As at 1 January 2024	91,803	308	-	92,111
Newly originated or purchased	44,117	-	-	44,117
Repayment / disposal	(43,814)	(87)	-	(43,901)
Change in fair value	964	96	-	1,060
Transfers to Stage 1	132	(132)	-	-
FX adjustment	(491)	-	-	(491)
As at 31 December 2024	92,711	185	-	92,896

6.7 Classification of investment in debt instruments as per their external ratings:

As at 31 December 2025

<i>Rating</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total</i>
AAA	30	12,941	1,982	14,953
AA+	-	21,522	3,513	25,035
AA	-	6,112	6,132	12,244
AA-	96	2,032	15,570	17,698
A+	1,821	20,641	183,794	206,256
A	144	2,804	7,816	10,764
A-	1,100	5,738	4,382	11,220
BBB+	38	3,383	1,368	4,789
BBB and below	398	17,213	7,972	25,583
Unrated	29,907	1,570	18,062	49,539
Total	33,534	93,956	250,591	378,081

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

6. INVESTMENT SECURITIES (continued)

6.7 Classification of investment in debt instruments as per their external ratings: (continued)

As at 31 December 2024

<i>Rating</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total</i>
AAA	-	12,383	2,019	14,402
AA+	71	18,914	5,243	24,228
AA	10	4,561	3,535	8,106
AA-	93	1,834	10,872	12,799
A+	1,578	13,145	168,177	182,900
A	172	5,056	3,484	8,712
A-	267	12,184	4,260	16,711
BBB+	450	3,755	777	4,982
BBB and below	716	17,726	10,878	29,320
Unrated	11,689	3,338	24,001	39,028
Total	15,046	92,896	233,246	341,188

As at 31 December 2025, the unrated investment securities measured at amortized cost include an amount of ₪ 13,963 million (as at 31 December 2024: ₪ 22,564 million) which are fully collateralized.

6.8 The analysis of the composition of investment securities

	<i>As at 31 December 2025</i>		<i>As at 31 December 2024</i>	
	<i>Quoted</i>	<i>Un-quoted</i>	<i>Quoted</i>	<i>Un-quoted</i>
<i>Measured at FVTPL</i>				
Equities, mutual funds and hedge funds	100,612	554,761	118,813	504,332
Fixed rate debt securities	2,669	18,475	2,565	12,144
Floating rate debt securities	101	12,289	173	164
Investment securities measured at FVTPL (A)	103,382	585,525	121,551	516,640
<i>Measured at FVOCI</i>				
Equities	1,024,136	103,902	1,153,804	46,808
Fixed rate debt securities	75,593	2,033	71,504	5,106
Floating rate debt securities	8,784	7,546	9,125	7,161
Investment securities measured at FVOCI (B)	1,108,513	113,481	1,234,433	59,075
<i>Measured at amortized cost</i>				
Fixed rate debt securities	184,699	22,769	164,291	31,121
Floating rate debt securities	36,367	7,875	32,624	6,206
Sub-total	221,066	30,644	196,915	37,327
Less: Allowance for ECL	(180)	(939)	(121)	(875)
Investment securities at amortized cost (C)	220,886	29,705	196,794	36,452
Total investments securities (A+B+C)	1,432,781	728,711	1,552,778	612,167

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

6. INVESTMENT SECURITIES (continued)

6.9 Investments in equity instruments designated at FVOCI

Particular

	<u>2025</u>	<u>2024</u>
Domestic – quoted	929,347	1,104,323
International – quoted	94,789	49,481
Domestic – unquoted	880	802
International – unquoted	103,022	46,006
Total	<u>1,128,038</u>	<u>1,200,612</u>

Dividends recognized from the investments held at the end of the reporting period amounted to ₪ 53,074 million (2024: ₪ 76,030 million).

6.10 Other disclosures related to investment securities

- (a) Fixed rate bonds and Sukuk carry annual interest rates ranging from 1.13% to 12.00% (2024: from 2.56% to 12.00%).
- (b) Floating rate bonds and Sukuk carry annual interest margins from 1.60% to 7.59% (2024: 0.70% to 10.00%) over SAIBOR or SONIA or LIBOR.
- (c) Total investment securities include Shariah based investments amounting to ₪ 199,781 million (2024: ₪ 175,739 million).
- (d) Securities amounting to ₪ 3,322 million (2024: ₪ 4,008 million) have been lent to counterparties under securities lending transactions by Group's banking entities.
- (e) The Group enters into collateralized lending transactions (reverse repurchase agreements) in the ordinary course of its banking operations. The collateral is in the form of highly rated debt securities. The collateralized lending transactions are conducted under standardized terms that are usual and customary for such transactions. Securities pledged with the Group in respect of reverse repo transactions amounts to ₪ 10,785 million (2024: ₪ 7,827 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

7. FINANCING AND ADVANCES



Material accounting policies that apply to financing and advances

Financing and advances represent the receivables arising from the banking and financing subsidiaries of the Group. Financing and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Financing and advances are recognized when cash is advanced to borrowers. They are derecognized when either the borrower repays their obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financing and advances are initially measured at fair value of the consideration given. Following initial recognition, financing and advances for which fair value has not been hedged are stated at amortized cost less any amount written off and ECL allowances for impairment. For presentation purposes, allowance for expected credit losses is deducted from financing and advances.

7.1 The breakdown of the financing and advances

	<u>2025</u>	<u>2024</u>
Corporate	386,502	322,615
Consumer and credit card	389,033	369,052
International	20,426	20,493
Other	10,290	9,985
Total financing and advances, gross	806,251	722,145
Allowance for ECL	(8,481)	(11,548)
Purchased or originated credit impaired	1,723	2,452
Total financing and advances, net	799,493	713,049

Performing and non-performing gross financing and advances:

Performing financing and advances	798,212	713,593
Non-performing financing and advances	8,039	8,552
	<u>806,251</u>	<u>722,145</u>

7.2 The ageing of the gross performing financing and advances

	<u>2025</u>	<u>2024</u>
Neither past due nor impaired	785,174	700,355
Past due but not impaired		
Less than 30 days	6,408	6,881
30-59 days	3,218	3,719
60-89 days	3,412	2,638
Total past due, not impaired	13,038	13,238
Total performing financing and advances	798,212	713,593

7.3 Below is a breakdown of financing products in compliance with Shariah rules

	<u>2025</u>	<u>2024</u>
Tawarruq	347,458	307,676
Murabaha	222,112	176,460
Ijara	67,231	52,913
Other Islamic Products	9,054	15,538
Total Shariah compliant financing advances	645,855	552,587

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million £ unless otherwise stated)

7. FINANCING AND ADVANCES (continued)

7.4 The detailed movement of the gross financing and advances and movement in ECL

(a) Movement of changes in gross carrying amount by stage

	<i>For the year ended 31 December 2025</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January	691,630	21,667	8,848	722,145
Net increase/(decrease) during the year	99,910	(4,667)	(350)	94,893
Transfers to Stage 1	2,714	(2,392)	(322)	-
Transfers to Stage 2	(12,281)	12,528	(247)	-
Transfers to Stage 3	(2,005)	(3,299)	5,304	-
Amount written-off	-	-	(6,416)	(6,416)
Translation differences and others	(4,202)	(134)	(35)	(4,371)
As at 31 December	775,766	23,703	6,782	806,251

	<i>For the year ended 31 December 2024</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January	628,234	30,237	8,659	667,130
Net increase/(decrease) during the year	71,550	(10,175)	198	61,573
Transfers to Stage 1	3,442	(3,218)	(224)	-
Transfers to Stage 2	(7,426)	7,513	(87)	-
Transfers to Stage 3	(1,764)	(2,549)	4,313	-
Amount written-off	-	-	(3,981)	(3,981)
Translation differences and others	(2,406)	(141)	(30)	(2,577)
As at 31 December	691,630	21,667	8,848	722,145

(b) Movement of changes in ECL amount by stage

	<i>For the year ended 31 December 2025</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January	2,531	1,831	7,186	11,548
Net impairment (reversal) / charge	(713)	987	2,934	3,208
Transfers to Stage 1	730	(491)	(239)	-
Transfers to Stage 2	(193)	312	(119)	-
Transfers to Stage 3	(1)	(1,349)	1,350	-
Written-off	-	-	(6,410)	(6,410)
Translation differences and others	70	(58)	123	135
As at 31 December	2,424	1,232	4,825	8,481

	<i>For the year ended 31 December 2024</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January	2,252	3,452	5,854	11,558
Net impairment charge / (reversal)	75	(1,113)	5,030	3,992
Transfers to Stage 1	776	(589)	(187)	-
Transfers to Stage 2	(544)	814	(270)	-
Transfers to Stage 3	(3)	(764)	767	-
Written-off	-	-	(3,976)	(3,976)
Translation differences and others	(25)	31	(32)	(26)
As at 31 December	2,531	1,831	7,186	11,548

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

7. FINANCING AND ADVANCES (continued)

7.5 Impairment charge for financing and advances losses recognized in the consolidated statement of profit or loss represents

	<u>2025</u>	<u>2024</u>
Net impairment charge	3,208	3,992
Reversal against indirect facilities (included in other liabilities)	(432)	(300)
Recoveries of debts (net of write-offs)	<u>(1,623)</u>	<u>(2,493)</u>
Net charge for the year	<u>1,153</u>	<u>1,199</u>

7.6 Details of finance lease receivables (in compliance with Shariah rules) included in financing and advances is as follows:

	<u>2025</u>	<u>2024</u>
Gross finance lease receivables:		
Less than 1 year	16,690	10,706
1 to 5 years	29,654	25,658
Over 5 years	<u>36,979</u>	<u>29,144</u>
Total	<u>83,323</u>	<u>65,508</u>

Unearned finance income on finance leases:

Less than 1 year	3,168	552
1 to 5 years	4,993	3,526
Over 5 years	<u>7,675</u>	<u>8,541</u>
Total	<u>15,836</u>	<u>12,619</u>

Net finance lease receivable:

Less than 1 year	13,522	10,154
1 to 5 years	24,661	22,132
Over 5 years	<u>29,304</u>	<u>20,603</u>
Total	<u>67,487</u>	<u>52,889</u>

7.7 Other disclosures related to financing and advances

- (a) The carrying amount of restructured facilities amounts to ₪ 3,327 million (2024: ₪ 3,509 million).
- (b) The fair value of collateral that the Group holds under Stage 2 amounts to ₪ 11,624 million (2024: ₪ 18,597 million). The fair value of collateral that the Group holds under Stage 3 amounts to ₪ 2,042 million (2024: ₪ 1,234 million).

8. DERIVATIVES**Material accounting policies that apply to derivative financial instruments and hedge accounting**

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments. Notional amounts of the contracts are not recorded on the balance sheet. All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow hedge accounting relationship. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(a) Hedge accounting

The Group applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes. The Group applies hedge accounting to represent the economic effects of its interest rate and currency risk management strategies. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

▪ Fair value hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the consolidated statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortized cost. If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortized to the consolidated statement of profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortized fair value adjustment is recognized immediately in the consolidated statement of profit or loss.

▪ Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in other comprehensive income, and then recycled to the consolidated statement of profit or loss in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss immediately. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged item is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the consolidated statement of profit or loss.

(b) Embedded derivatives

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

- the host contract is not an asset in the scope of IFRS 9;
- hybrid contract is not measured at FVTPL
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; &
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

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

8. DERIVATIVES (continued)



Material accounting policies that apply to derivative financial instruments and hedge accounting (continued)

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

As part of its asset and liability management, derivatives are used for hedging purposes in order to adjust the Group's exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading, such as special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options.

8.1 Fair value of derivatives

	<i>Positive fair value (Assets)</i>		<i>Negative fair value (Liabilities)</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
Derivatives held for trading	28,516	37,057	26,869	27,787
Derivatives held for hedges	1,886	2,355	1,802	980
Fair value of derivatives	30,402	39,412	28,671	28,767

8.2 Derivatives held for trading

As at 31 December 2025:

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	26,795	25,689	312,986	698,073	1,011,059
Forward foreign exchange contracts	1,127	647	90,430	53,968	144,398
Interest rate options	115	128	8,793	11,402	20,195
Foreign exchange options	144	146	27,413	3,659	31,072
Others	335	259	921	1,241	2,162
Total derivatives held for trading	28,516	26,869	440,543	768,343	1,208,886

As at 31 December 2024:

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	28,039	26,759	176,943	686,562	863,505
Equity options	7,773	-	-	4,144	4,144
Forward foreign exchange contracts	990	643	104,592	31,639	136,231
Interest rate options	135	147	6,854	13,297	20,151
Foreign exchange options	112	114	7,966	7,014	14,980
Others	8	124	227	485	712
Total derivatives held for trading	37,057	27,787	296,582	743,141	1,039,723

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

8. DERIVATIVES (continued)

8.3 Derivatives held as cash flow hedges

As at 31 December 2025:

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		<i>Total</i>
			<i>Less than 1 year</i>	<i>More than 1 year</i>	
Interest rate swaps	281	763	7,233	36,505	43,738
Forward contracts and options	128	76	2,132	-	2,132
Total derivatives held as cash flow hedges	409	839	9,365	36,505	45,870

As at 31 December 2024:

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		<i>Total</i>
			<i>Less than 1 year</i>	<i>More than 1 year</i>	
Interest rate swaps	705	517	2,164	37,012	39,176
Forward contracts and cross currency swaps	411	-	7,757	-	7,757
Total derivatives held as cash flow hedges	1,116	517	9,921	37,012	46,933

The average fixed interest rate on the interest rate swaps designated as cash flows hedges during the year ranged between 3.15% and 5.54% (2024: 3.15% and 5.04%).

8.4 Derivatives held as fair value hedges

<i>As at 31 December 2025:</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		<i>Total</i>
			<i>Less than 1 year</i>	<i>More than 1 year</i>	
Interest rate swaps and options	1,475	594	16,956	64,339	81,295
Total derivatives held as fair value hedges	1,475	594	16,956	64,339	81,295

<i>As at 31 December 2024:</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amounts</i>		<i>Total</i>
			<i>Less than 1 year</i>	<i>More than 1 year</i>	
Interest rate swaps	1,239	463	11,012	23,580	34,592
Total derivatives held as fair value hedges	1,239	463	11,012	23,580	34,592

9. TRADE RECEIVABLES

**Material accounting policies that apply to trade receivable**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at their transaction price (which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties) and subsequently measured at either amortized cost using the effective interest method, less expected credit loss (“ECL”) allowance, if any, or at fair value through profit and loss. Details about the Group’s impairment policies and the calculation of allowance for ECL are provided in note 3.4.

Trade receivables that do not meet the criteria for amortized cost or fair value through other comprehensive income (“FVOCI”) are measured at fair value through profit or loss (“FVTPL”). Any gain or loss arising on such trade receivables, if material, is recognized in the consolidated statement of profit or loss and presented within revenue.

9.1 Details of trade receivables:

	<u>2025</u>	<u>2024</u>
Trade receivables	92,347	77,593
Less: allowance for expected credit losses	(8,987)	(6,817)
	<u>83,360</u>	<u>70,776</u>

Trade receivables balance from Government and Government related entities amounted to ₪ 61,165 million (2024: ₪ 54,488 million).

The Group holds all its trade receivables, within a business model, with the objective of collecting the contractual cash flows. However, the contractual terms of certain trade receivables as at 31 December 2025 with an amount of ₪ 2,252 million (2024: ₪ 2,983 million) do not give rise, on a specific date, to cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, they are measured at FVTPL.

9.2 The movement in the allowance for expected credit losses of trade receivables:

	<u>2025</u>	<u>2024</u>
As at 1 January	6,817	4,757
Charge during the year	1,687	2,334
Written-off during the year	(367)	(271)
Other adjustments	850	(3)
As at 31 December	<u>8,987</u>	<u>6,817</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

10. INVENTORIES



Material accounting policies that apply to inventories

Inventories comprise of finished goods, work-in-process inventory, raw materials, spares and consumables.

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- raw materials, spares and consumables: purchase cost on weighted average basis;
- finished goods and work in process: cost of direct materials and labor and a proportion of mining and manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Real Estate – Development property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as development property and is measured at the lower of cost and net realizable value (NRV). Principally, this is commercial and residential properties that the Group develops and intends to sell before, or on completion of, development.

When a development property is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of development properties recognized in the consolidated statement of profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

10.1 Details of inventories

	<u>2025</u>	<u>2024</u>
Development properties under construction	17,570	9,568
Development properties	6,067	2,915
Finished goods	6,552	6,571
Spare parts	4,866	4,785
Raw materials	4,605	3,254
Work-in-progress	3,220	1,873
Others	4,176	1,251
	<u>47,056</u>	<u>30,217</u>
Less: Provision for obsolete inventories and NRV	(4,052)	(4,307)
Total	<u><u>43,004</u></u>	<u><u>25,910</u></u>

10.2 The movement in allowance for obsolete and slow-moving inventories and NRV

	<u>2025</u>	<u>2024</u>
As at 1 January	4,307	2,090
Charge during the year, net	3,614	3,025
Amounts written off	(229)	(57)
Other adjustments	(3,640)	(751)
As at 31 December	<u><u>4,052</u></u>	<u><u>4,307</u></u>

The carrying amount of inventories carried at NRV amounts to ₪ 8,381 million (2024: ₪ 3,458 million).

11. OTHER ASSETS



Material accounting policies that apply to other assets

The accounting policy for other assets that meet the definition of a financial asset is covered within material accounting policies that apply to the overall financial statements (refer to note 3). Below are the accounting policies for some categories of assets within this note.

Contract assets

A contract asset is initially recognized for revenue earned from services where the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Service concession assets

An arrangement is categorized as a Service concession arrangement if all of the following criteria are met:

- there is an arrangement between the Group and the operator to build and operate the asset;
- the Group controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- the Group controls, through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

Where the Group is acting as a grantor under service concession agreements, the Group determines the point of transfer of control in respect of an asset, (or an upgrade to an existing asset) provided by the operator, considering the conceptual framework and other IFRS standards. The group also assesses whether the asset recognition criteria is met in line with IFRS before recording a service concession asset.

Service concession assets are measured at fair value at initial recognition. Where applicable, the service concession assets, which are under construction, current replacement cost method is assessed and as an appropriate method to determine the fair value and taking into account IAS 16 cost criteria to identify cost eligible for capitalization. Where an existing asset meets the condition of the service concession arrangement, the Group shall reclassify the existing asset as a service concession asset.

The estimated useful life of the service concession assets is the period from when the operator is able to charge for the use of the asset till the end of the concession period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

11. OTHER ASSETS (continued)

Other financial assets

	<u>2025</u>	<u>2024</u>
Receivables from related parties (note 11.1)	29,822	31,896
Loans and advances to related parties	6,191	1,270
Government grant receivables	4,143	2,210
Margin deposits against derivatives and repos	4,029	6,815
Clearing participant financial assets	3,802	4,409
Loans and advances (non-banking operations)	4,060	10,497
Other financial assets	11,313	10,848
Sub-total	63,360	67,945
Less: Allowance for expected credit loss	(416)	(388)
Total financial assets (A)	62,944	67,557

Other non-financial assets

Advances and deposits given to contractors and suppliers	46,754	46,017
Contract assets	44,438	32,064
VAT Receivables	14,651	13,755
Prepaid expenses	6,348	6,605
Contract fulfillment costs	5,011	4,613
Service concession assets (note 11.2)	3,528	19,799
Assets purchased under Murabaha arrangements	3,068	2,426
Assets held for sale	2,603	1,264
Other non-financial assets	8,500	7,713
Sub-total	134,901	134,256
Less: Allowance for impairment	(1,921)	(1,352)
Total non-financial assets (B)	132,980	132,904
Total other assets (A + B)	195,924	200,461

11.1 Receivables from related parties

Receivables from related parties include mainly receivable from other governmental body pertaining to payment of expropriation compensation by the Group for lands for which the governmental body is responsible for payment back to the Group. The receivable is discounted using the applicable risk-free rate and will be settled by the governmental body over coming years.

11.2 Service concession assets

The Group entered into service concession agreements primarily with private operators for the development and maintenance of construction sites which will largely accommodate workers hired by third-party contractors. The land on which the facilities are located is provided free of consideration to the operators for the term of the agreement. The operators will construct, operate and manage the facility till the term of the contract unless terminated earlier. The Group is the Grantor under these service concession arrangements and controls the asset being constructed.

The remaining service concession assets are still work in progress and have been recognized at cost incurred to date being the best estimate of current replacement cost. The amounts recognized in the consolidated statement of financial position and the movements over the year are as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	19,799	9,554
Additions during the year	4,218	14,993
Transferred to property, plant and equipment	(20,489)	(4,748)
As at 31 December	3,528	19,799

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES



Material accounting policies that apply to investment in associates, joint ventures

The list of interests in associates and joint ventures are disclosed in notes 12.2 and 12.4, respectively.

An associate is an entity over which the Group has significant influence, through its investment in equity instruments. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost, which includes directly attributable costs. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date, until the date when significant influence or joint control ceases, adjusted for any dividend earned and accumulated impairment loss, if any. Goodwill, determined as the difference between the fair value of the net assets acquired and the consideration paid, relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the impairment loss in the consolidated statement of profit or loss.

If the recoverable amount is higher than the carrying value and if there is an impairment provision for such investment in associate or joint venture, the impairment provision will be reversed only to the extent that the investment's carrying value does not exceed the carrying amount that would be determined if no impairment provision had been recognized. The recoverable amount of an associate or joint venture is the higher of its fair value less costs of disposal and its value in use.

The group ceases to use the equity method to account for an investment in associate or joint venture because of a loss of significant influence or joint control or when the investment is classified as held for sale. Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained interest in the investee is remeasured to its fair value at that date.

If the ownership interest in an associate or joint venture is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss, where appropriate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

12.1 Associates and joint ventures

	2025		2024	
	Associates	Joint Ventures	Associates	Joint Ventures
As at 1 January	168,839	31,993	145,095	23,071
Investments made during the year ^(a)	16,513	4,770	23,689	11,021
Share of profit / (loss)	9,202	560	4,209	(1,436)
Dividends received/receivable	(5,774)	(1,016)	(5,222)	(834)
Disposals during the year	(774)	-	(309)	-
Reclassifications ^(b)	(6,323)	(2,016)	(22)	62
Share of other comprehensive income	531	247	824	290
Other movement	(1,714)	3,905	2,912	72
Translation differences	814	303	(2,337)	(253)
	181,314	38,746	168,839	31,993
Allowance for impairment	(4,635)	(2,582)	(1,542)	(2,424)
As at 31 December	176,679	36,164	167,297	29,569

(a) Non-cash investments during the year amounted to ₪ 9,269 million (2024: ₪ 7,241 million).

(b) Includes transfers to subsidiaries due to business combinations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

12.2 Investments in associates

The following tables summarizes information of the Fund's direct associates:

Associate	Industry Group/ Principal activities	Percentage of ownership		Country of incorporation
		31 Dec 2025	31 Dec 2024	
Aston Martin Lagonda Global Holding plc (Aston Martin)	Consumer Discretionary	14%	15%	United Kingdom
ADES Holding Company ^(a)	Energy	24%	24%	Kingdom of Saudi Arabia
Innovative Energy Holding Ltd	Energy	36%	36%	United Arab Emirates
National Shipping Company of Saudi Arabia (Bahri)	Energy	23%	23%	Kingdom of Saudi Arabia
Alinma Bank ^(a)	Financials	10%	10%	Kingdom of Saudi Arabia
ASMA Capital Partners	Financials	20%	20%	Kingdom of Bahrain
Bidaya Finance Company	Financials	22%	22%	Kingdom of Saudi Arabia
D360 Bank PSC	Financials	20%	20%	Kingdom of Saudi Arabia
Riyad Bank ^(a)	Financials	22%	22%	Kingdom of Saudi Arabia
Saudi Reinsurance Company (Saudi Re)	Financials	23%	-	Kingdom of Saudi Arabia
Alkhorayef Petroleum Company	Industrials	25%	25%	Kingdom of Saudi Arabia
GCC Electrical Equipment Testing Laboratory	Industrials	30%	30%	Kingdom of Saudi Arabia
Jasara Program Management Company (Jasara)	Industrials	40%	40%	Kingdom of Saudi Arabia
Nesma & Partners Contracting Company	Industrials	30%	30%	Kingdom of Saudi Arabia
Red Sea Gateway Terminal Company (RSGT)	Industrials	20%	20%	Kingdom of Saudi Arabia
Saudi Arabian Industrial Investment Company (Dussur) ^(b)	Industrials	-	50%	Kingdom of Saudi Arabia
Saudi Public Transport Company (SAPTCO)	Industrials	16%	16%	Kingdom of Saudi Arabia
Saudi Information Technology Company (SITE)	Information Technology	100%	100%	Kingdom of Saudi Arabia
Arabian Industrial Fibers Company (Ibn Rushd)	Materials	34%	34%	Kingdom of Saudi Arabia
Middle East Paper Company (MEPCO)	Materials	23%	23%	Kingdom of Saudi Arabia
Qassim Cement Company	Materials	19%	19%	Kingdom of Saudi Arabia
Southern Province Cement Company	Materials	37%	37%	Kingdom of Saudi Arabia
Emaar The Economic City (EEC) ^(c)	Real Estate	-	25%	Kingdom of Saudi Arabia
Umm Al Qura Construction & Development (Umm Al Qura)	Real Estate	16%	22%	Kingdom of Saudi Arabia
ACWA Power Company (ACWA)	Utilities	44%	44%	Kingdom of Saudi Arabia
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	Utilities	18%	18%	Kingdom of Saudi Arabia
Saudi District Cooling Company (Saudi Tabreed)	Utilities	30%	30%	Kingdom of Saudi Arabia
Saudi Energy Company (Se) (formerly Saudi Electricity Company (SEC))	Utilities	75%	75%	Kingdom of Saudi Arabia

(a) The ownership percentages for Riyadh Bank, Alinma Bank and ADES Holding Company are computed using the Group owned shares over the issued shares not adjusted for treasury shares. For the purposes of the Group's share of net assets of investees, effective ownership percentage is used.

(b) Saudi Arabian Industrial Investment Company (Dussur) was reclassified from an associate to joint venture during the year.

(c) Emaar The Economic City (EEC) was reclassified from an associate to subsidiary during the year.

(d) The Group also has interests in a number of indirect associates which are not included in the list above.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million \$ unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

12.3 Summarized financial information for material associates

As at 31 December 2025:

	Saudi Energy Company (Se) (a)	ACWA Power Company ("ACWA") (b)	Riyad Bank	Individually immaterial associates	Total
Current assets	41,918	16,371	215,957		
Non-current assets	593,906	53,687	303,524		
Current liabilities	99,968	7,204	362,426		
Non-current liabilities	278,172	31,203	81,574		
Equity attributable to owners	84,076	29,025	64,105		
Fair value of ownership (if listed)	43,966	61,541	17,712		
Carrying value of investments in associates	62,379	15,211	13,993	85,096	176,679

For the year ended 31 December 2025:

Revenue	102,218	7,413	33,870		
Profit attributable to shareholders	12,974	1,852	10,411		
Other comprehensive (loss) income	(509)	(1,687)	666		
Total comprehensive income	12,465	165	11,077		
Dividends received	2,190	-	1,142	2,442	5,774
Share of profit	3,017	829	2,272	3,084	9,202
Share of other comprehensive (loss) income	(383)	(746)	241	1,419	531
Share of total comprehensive income	2,634	83	2,513	4,503	9,733

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

12.3 Summarized financial information for material associates (continued)

As at 31 December 2024:

	Saudi Energy Company (Se) (a)	ACWA Power Company ("ACWA") (b)	Riyad Bank	Individually immaterial associates	Total
Current assets	39,276	11,384	190,291		
Non-current assets	507,738	45,498	260,088		
Current liabilities	67,080	5,909	341,184		
Non-current liabilities	228,562	26,667	41,253		
Equity attributable to owners	83,451	21,859	58,556		
Fair value of ownership (if listed)	52,884	129,864	18,665		
Carrying value of investments in associates	61,935	12,047	12,756	80,559	167,297

For the year ended 31 December 2024:

Revenue	88,666	6,297	30,091		
Profit attributable to shareholders	6,867	1,757	9,322		
Other comprehensive (loss) income	(229)	1,265	432		
Total comprehensive income	6,638	3,022	9,754		
Dividends received	2,190	145	1,012	1,875	5,222
Share of (loss) / profit	(1,445)	779	2,031	2,844	4,209
Share of other comprehensive (loss) income	(172)	556	94	346	824
Share of total comprehensive (loss) income	(1,617)	1,335	2,125	3,190	5,033

- (a) Equity attributable to shareholders of Se represents Se's net assets excluding Mudaraba instrument amounting ₪ 173,608 million (2024: ₪ 167,921 million), which is classified within equity in Se's financial statements.
- (b) The difference between carrying value of investment and Group's share of net assets amounting ₪ 2,378 million (2024: ₪ 2,388 million) relates to Goodwill and fair value adjustments.
- (c) The Group's share of contingent liabilities incurred jointly with other investors of the associates amounted to ₪ 58,834 million (2024: ₪ 46,544 million).

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million £ unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

12.4 Investment in joint ventures

The following tables summarizes information of the Fund's direct joint ventures:

<i>Joint Venture</i>	<i>Industry group / Principal activities</i>	<i>Percentage of ownership</i>		<i>Country of incorporation</i>
		<i>31 Dec 2025</i>	<i>31 Dec 2024</i>	
Electric Vehicle Infrastructure Company (EVIQ)	Consumer Discretionary	75%	75%	Kingdom of Saudi Arabia
MENA Tyre Company	Consumer Discretionary	75%	75%	Kingdom of Saudi Arabia
Wessal Casa Port	Consumer Discretionary	20%	20%	Kingdom of Morocco
Wessal Tangier Marina	Consumer Discretionary	20%	20%	Kingdom of Morocco
Tamimi Markets Company	Consumer Staples	30%	30%	Kingdom of Saudi Arabia
Wessal Capital Asset Management	Financials	20%	20%	Kingdom of Morocco
Al Bawani Holding Company (ABH)	Industrials	33%	33%	Kingdom of Saudi Arabia
Almabani General Contractors Company	Industrials	34%	34%	Kingdom of Saudi Arabia
ArcelorMittal Tubular Products Al-Jubail Company (AMTPJ)	Industrials	65%	65%	Kingdom of Saudi Arabia
BAP Al-Khair Steel Company	Industrials	25%	25%	Kingdom of Saudi Arabia
El Seif Engineering Contracting Company Limited (El Seif)	Industrials	40%	40%	Kingdom of Saudi Arabia
Gulf Chemical Carriers Holdings Limited	Industrials	41%	41%	Cayman Islands
Red Sea Gateway Terminal International Limited	Industrials	40%	40%	United Kingdom
Saudi Arabian Industrial Investment Company (Dussur) ^(a)	Industrials	50%	-	Kingdom of Saudi Arabia
Saudi Global Ports (SGP)	Industrials	51%	51%	Kingdom of Saudi Arabia
Zamil Offshore Services Company (Zamil)	Industrials	40%	40%	Kingdom of Saudi Arabia
Masdar for Building Materials Company (MASDAR)	Materials	30%	-	Kingdom of Saudi Arabia
Saudi Iron and Steel Company (Hadeed)	Materials	56%	56%	Kingdom of Saudi Arabia
Electric Sea Racing Limited (ESR)	Media and Entertainment	50%	50%	United Kingdom

(a) Saudi Arabian Industrial Investment Company (Dussur) was reclassified from an associate to joint venture during the year.

(b) The Group also has interests in a number of indirect joint ventures which are not included in the list above.

13. INVESTMENT PROPERTIES



Material accounting policies that apply to investment properties

Real estate investments, held for long-term rental yields or for capital appreciation or both, and which are not occupied by the Group, are classified as investment properties. Investment property also includes property that is being constructed or developed for future use as investment property. Land held under operating leases is classified and accounted for by the Group as investment property where it meets the definition of investment property.

Investment properties including land are initially measured at cost, including related transaction cost. Investment properties (except land and capital work-in-progress) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are carried at cost less impairment, if any. Such cost includes the cost of replacing part of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 5 to 50 years

An item of investment properties is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognized in the consolidated statement of profit or loss when the asset is derecognized.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Transfers of investment properties from the Owner

Where any investment properties are transferred from the Owner to the Group without any consideration, the Group recognize such investment properties at a nominal value (₪ 1).

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

13. INVESTMENT PROPERTIES (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Capital work- in-progress</i>	<i>Total</i>
Cost				
As at 1 January 2025	26,352	36,350	14,190	76,892
Additions	419	770	10,457	11,646
Acquired through business combination	8,006	1,286	1,018	10,310
Transfers within investment properties	-	3,412	(3,412)	-
Other transfers and adjustments	(2,129)	(860)	114	(2,875)
As at 31 December 2025	32,648	40,958	22,367	95,973
Accumulated depreciation and impairment losses				
As at 1 January 2025	3,202	5,286	2,938	11,426
Depreciation charge	13	1,091	-	1,104
Acquired through business combination	-	427	-	427
Impairment charge / (reversal)	249	(165)	2,947	3,031
Other transfers and adjustments	(587)	346	(266)	(507)
As at 31 December 2025	2,877	6,985	5,619	15,481
Net carrying value				
Balance as at 31 December 2025	29,771	33,973	16,748	80,492
	<i>Land</i>	<i>Buildings</i>	<i>Capital work- in-progress</i>	<i>Total</i>
Cost				
As at 1 January 2024	24,120	33,073	7,578	64,771
Additions	3,959	2,139	8,357	14,455
Transfers within investment properties	-	1,980	(1,980)	-
Other transfers and adjustments	(1,727)	(842)	235	(2,334)
As at 31 December 2024	26,352	36,350	14,190	76,892
Accumulated depreciation and impairment losses				
As at 1 January 2024	98	3,219	1,403	4,720
Depreciation charge	12	847	-	859
Impairment charge	3,068	1,021	1,754	5,843
Other transfers and adjustments	24	199	(219)	4
As at 31 December 2024	3,202	5,286	2,938	11,426
Net carrying value				
Balance as at 31 December 2024	23,150	31,064	11,252	65,466

13.1 Allocation of impairment charge for the year:

	<u>2025</u>	<u>2024</u>
Cost of revenue	738	1,465
General and administrative expenses	2,293	4,378
Total	3,031	5,843

13.2 Amounts recognized in consolidated statement of profit or loss arising from:

	<u>2025</u>	<u>2024</u>
Rental income derived from investment properties	2,964	2,175
Direct operating expenses included in cost of revenue	1,008	857

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

13. INVESTMENT PROPERTIES (continued)

13.3 Other disclosures related to investment properties

- (a) Land includes various land parcels which were initially contributed to the Fund at a nominal value of ₪ 1 each. All of these land parcels are in the Kingdom of Saudi Arabia.
- (b) Investment properties include properties amounting to ₪ 4,225 million (2024: ₪ 4,300 million) constructed on land for which the Group neither directly owns nor does it have a finalized lease agreement. However, the Group has commenced utilization of the land based on the letter received from a Government Authority whereby the land has been assigned to the Group.
- (c) During the year, depreciation charge of ₪ 1,078 million (2024: ₪ 849 million) was allocated to cost of revenue and ₪ 26 million (2024: ₪ 10 million) was allocated to general and administrative expenses.
- (d) Investment properties amounting to ₪ 46,012 million (2024: ₪ 39,405 million) are held for the purpose of generating rental income and investment properties amounting to ₪ 10,932 million (2024: ₪ 8,815 million) are held for the purpose of capital appreciation. Investment properties with undetermined use amounts to ₪ 23,548 million (2024: ₪ 17,246 million).
- (e) Non-cash additions during the year amounted to ₪ 884 million (2024: ₪ 1,940 million).

13.4 Fair value of investment properties

As at 31 December 2025:

Category of assets	Carrying value	Fair value hierarchy disclosure		
		Level 2	Level 3	Total fair value
Land	29,771	27,715	206,665	234,380
Buildings	33,973	2,061	43,339	45,400
Capital work-in-progress	16,748	1,641	19,384	21,025
Total	80,492	31,417	269,388	300,805

As at 31 December 2024:

Category of assets	Carrying value	Fair value hierarchy disclosure		
		Level 2	Level 3	Total fair value
Land	23,150	17,361	182,753	200,114
Buildings	31,064	647	38,802	39,449
Capital work-in-progress	11,252	3,720	7,532	11,252
Total	65,466	21,728	229,087	250,815

Fair values of investment properties are based on level 2 or level 3 of fair value hierarchy as there are no quoted prices in an active market for such assets. The fair values of the properties are based on valuations performed by independent valuers accredited by Saudi Authority for Accredited Valuers such as CBRE Advisory Services LLC, Deloitte, Knight Frank, Sima & Partner, Jones Lang LaSalle ("JLL"), Barcode Firm, Tibyan AlQima, etc. Valuation techniques as permitted by IFRS 13 "Fair Value Measurement" in accordance with recommendations of the International Valuation Standards Committee has been applied.

The fair value is based on significant judgment by management involving use of various valuation techniques and methods, which are based on assumptions and estimates specific to each parcel of land that impact the fair value allotted to each land parcel (refer to note 43).

13.5 Lands that cannot be fair valued

Following table summarizes the lands for which fair values cannot be determined reliably due to the size, location or absence of approved business plans. These lands are expected to be developed in phases over time:

Name	Area (km ²)		Location
	2025	2024	
Red Sea	37,493	37,504	Tabuk Region
Neom	26,387	26,387	Tabuk Region
Qiddiya	-	367	Central Region

14. PROPERTY, PLANT AND EQUIPMENT (PPE)



Material accounting policies that apply to property, plant and equipment

Property, plant and equipment (except land and assets under construction) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and assets under construction are stated at cost, net of accumulated impairment losses, if any. Cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by the management.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

When parts of an item of property, plant and equipment have materially different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation of property, plant and equipment, other than land and assets under construction, is calculated using the straight-line method over the estimated useful lives of specific assets. The depreciation method and rates applied to specific assets reflect the pattern in which the asset's benefits are expected to be used by the Group.

The following table summarizes the estimated useful lives of the major asset categories of the Group:

<u>Asset category</u>	<u>Useful life</u>
Buildings and leasehold improvements	2 to 50 years
Plant, machinery and equipment	Up to 40 years
Mine properties	Using Unit of Production ("UOP") method over the economically recoverable proven and probable reserves or straight-line method over the economic useful life (4-50 years), whichever is shorter
Transportation assets *	4 to 40 years
Telecommunication network and equipment	3 to 30 years
Others **	2 to 50 years

* Transportation assets include aircraft and aircraft equipment, railway tracks and motor vehicles.

** Others category includes furniture, fixtures and office equipment and assets not covered in any of the above categories.

Leasehold improvements are depreciated over the lower of their estimated useful lives and their related lease term. Depreciation is charged to the consolidated statement of profit or loss.

Transfers of property, plant and equipment from the Owner

Where any items of PPE are transferred from the Owner to the Group without any consideration, the Group recognize such assets at a nominal value (₪ 1).

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	<i>Land and Buildings</i>	<i>Plant, machinery and equipment</i>	<i>Transport- ation assets</i>	<i>Mine properties</i>	<i>Tele- communication network and related equipment</i>	<i>Others</i>	<i>Capital work-in- progress</i>	<i>Total</i>
Cost								
As at 1 January 2025	104,834	82,947	34,605	20,275	122,979	40,178	259,158	664,976
Additions	3,940	2,069	6,938	847	170	1,493	140,325	155,782
Acquired through business combination	7,262	2,921	109	-	6	1,267	1,753	13,318
Transfers to the Owner (Note 25.1)	(3,871)	(3,065)	-	-	-	(484)	(103,750)	(111,170)
Disposals and write offs	(574)	(941)	(1,521)	-	(2,787)	(590)	(1,478)	(7,891)
Transfers within PPE	17,954	9,604	757	-	366	8,087	(36,768)	-
Transfers from other assets (Note 11.2)	-	-	-	-	-	20,489	-	20,489
Other transfers and adjustments	5,602	(268)	(3,483)	185	6,095	(3,790)	(10,700)	(6,359)
As at 31 December 2025	135,147	93,267	37,405	21,307	126,829	66,650	248,540	729,145
Accumulated depreciation and impairment losses								
As at 1 January 2025	34,910	34,837	5,508	7,502	86,831	12,848	78,310	260,746
Depreciation charge	3,893	5,761	1,396	966	5,999	6,799	-	24,814
Impairment loss	4,538	283	157	-	73	10,409	28,364	43,824
Acquired through business combination	2,306	1,305	40	-	3	584	-	4,238
Transfers to the Owner (Note 25.1)	(796)	(549)	-	-	-	(163)	(32,844)	(34,352)
Disposals and write offs	(447)	(687)	(131)	-	(2,581)	(506)	(323)	(4,675)
Transfers within PPE	1,852	760	175	-	(230)	175	(2,732)	-
Other transfers and adjustments	1,588	(106)	(340)	53	1,072	2,703	-	4,970
As at 31 December 2025	47,844	41,604	6,805	8,521	91,167	32,849	70,775	299,565
Net carrying value								
Balance at 31 December 2025	87,303	51,663	30,600	12,786	35,662	33,801	177,765	429,580

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	<i>Land and Buildings</i>	<i>Plant, machinery and equipment</i>	<i>Transport- ation assets</i>	<i>Mine properties</i>	<i>Tele- communication network and related equipment</i>	<i>Others</i>	<i>Capital work- in- progress</i>	<i>Total</i>
Cost								
As at 1 January 2024	82,271	74,222	29,636	19,660	121,238	21,637	153,438	502,102
Additions	1,221	1,166	5,309	863	219	7,394	147,267	163,439
Acquired through business combination	809	56	12	-	665	79	8	1,629
Disposals and write offs	(330)	(754)	(225)	-	(1,446)	(275)	(934)	(3,964)
Transfers within PPE	18,151	5,548	671	-	6,384	6,979	(37,733)	-
Other transfers and adjustments	2,712	2,709	(798)	(248)	(4,081)	4,364	(2,888)	1,770
As at 31 December 2024	104,834	82,947	34,605	20,275	122,979	40,178	259,158	664,976
Accumulated depreciation and impairment losses								
As at 1 January 2024	23,383	28,887	4,168	6,743	82,602	9,593	22,154	177,530
Depreciation charge	3,492	4,659	1,257	784	6,356	3,229	-	19,777
Impairment loss	6,963	875	193	-	-	337	56,172	64,540
Acquired through business combination	735	51	11	-	45	62	-	904
Disposals and write offs	(208)	(688)	(75)	-	(1,252)	(420)	-	(2,643)
Transfers within PPE	59	(49)	-	-	4	(14)	-	-
Other transfers and adjustments	486	1,102	(46)	(25)	(924)	61	(16)	638
As at 31 December 2024	34,910	34,837	5,508	7,502	86,831	12,848	78,310	260,746
Net carrying value								
Balance at 31 December 2024	69,924	48,110	29,097	12,773	36,148	27,330	180,848	404,230

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

14.1 Allocation of depreciation charge for the year

	<u>2025</u>	<u>2024</u>
Cost of revenue	14,631	13,939
General and administrative expenses	9,519	5,666
Others	664	172
	<u>24,814</u>	<u>19,777</u>

14.2 Other disclosure related to property, plant and equipment:

- Impairment loss amounting to ₪ 43,794 million (2024: ₪ 63,167 million) and ₪ 30 million (2024: ₪ 1,373 million) were allocated to general and administrative expenses and cost of revenue, respectively.
- Capital work-in-progress primarily includes costs incurred on the development of local projects related to real estate, mining and telecommunications. It includes also costs incurred on the development of buildings, machinery and tooling, plant facilities.
- Land and buildings include land amount to ₪ 15,940 million (2024: ₪ 12,170 million).
- Non-cash additions during the year amounted to ₪ 5,629 million (2024: ₪ 8,423 million).

14.3 Details of significant impairment tests:

Impairment amounting to ₪ 43,824 million (2024: ₪ 64,540 million) were recognized on property, plant, and equipment (mainly under CWIP and infrastructure) due to decline in recoverable amounts relative to the budgeted cost to complete, changes in operational plans and market conditions.

The recoverable amount of the property, plant, and equipment has been determined as higher of "value in use" and "fair value less costs of disposal". For value in use calculation, where applied, the projected cash flows encompass project revenues, operating expenses, operating income of project's assets, net sale proceeds and project related capital expenditure. Impairment for assets is calculated on recoverable amounts including their respective government grants, if any. The growth rate used for extrapolation aligns with the long-term average growth rate of similar projects.

Key assumptions include:

<u>Assumptions</u>	<u>2025</u>	<u>2024</u>	<u>Basis of the assumptions</u>
Pre-tax discount rate	8% to 11.25%	7.70% to 11.09%	The WACC determined appropriate for the projects. Based on the inputs from third party consultant's forecasts.
Growth rate	1.50% to 3.00%	1.50% to 3.00%	In line with the long-term average growth rate for comparable projects.

Impairment allocation to individual CGUs:

	<u>2025</u>	<u>2024</u>
Hospitality and real estate	20,721	17,135
Corporate assets and others	17,579	13,601
Industrial	5,524	8,209
Land mobility	-	25,595
	<u>43,824</u>	<u>64,540</u>

15. INTANGIBLE ASSETS AND GOODWILL



Material accounting policies that apply to intangible assets

Goodwill is initially recognized based on the accounting policy for business combinations (see note 41). Goodwill is subsequently measured at cost less accumulated impairment losses, if any. Separately purchased intangible assets are initially measured at cost, being the purchase price as at the date of acquisition. On acquisition of new interests in group companies, the Group recognizes any specifically identifiable intangible assets separately from goodwill. These intangible assets are initially measured at fair value as at the date of acquisition.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits of the embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statement of profit or loss as incurred.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of profit or loss.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset is included in the consolidated statement of profit or loss.

Amortization

The Group amortizes intangibles assets with finite useful lives using the straight-line method over their estimated useful lives as follows:

Software and licenses	2 to 20 years
Telecommunication licenses	15 to 25 years
Contract intangibles	2 to 20 years
Gamers library	6 to 12 years
License and frequency spectrum fees	Over license period*
Players' registration rights	Straight line over the period covered by player's contract
Others	Up to 35 years

* Amortization periods for license and frequency spectrum fees are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies.

Impairment of goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

15. INTANGIBLE ASSETS AND GOODWILL (continued)

	<i>Goodwill</i>	<i>Software and licenses</i>	<i>Games library</i>	<i>Tele-communication licenses</i>	<i>Players' registration rights</i>	<i>Others^(a)</i>	<i>Capital work-in-progress</i>	<i>Total</i>
Cost								
As at 1 January 2025	64,402	27,247	8,815	9,262	8,511	27,424	6,608	152,269
Additions	-	882	180	2,395	3,775	1,840	5,868	14,940
Acquired through business combination	15,366	306	3,533	-	-	213	22	19,440
Disposals and write offs	-	(478)	-	(79)	(1,459)	(1)	(39)	(2,056)
Transfers from / to CWIP	-	3,713	-	-	-	150	(3,863)	-
Other transfers and adjustments	147	613	105	1	90	457	67	1,480
As at 31 December 2025	79,915	32,283	12,633	11,579	10,917	30,083	8,663	186,073
Accumulated amortization and impairment losses								
As at 1 January 2025	5,808	17,248	1,790	5,094	3,559	9,500	2,498	45,497
Amortization charge	-	3,676	1,202	704	2,262	3,132	-	10,976
Impairment charges ^(b)	41	189	9	-	28	74	401	742
Acquired through business combination	-	217	-	-	-	162	-	379
Disposals and write offs	-	(469)	-	(79)	(892)	-	-	(1,440)
Other transfers and adjustments	8	96	(4)	(1)	(109)	218	(82)	126
As at 31 December 2025	5,857	20,957	2,997	5,718	4,848	13,086	2,817	56,280
Net carrying value								
Balance as at 31 December 2025	74,058	11,326	9,636	5,861	6,069	16,997	5,846	129,793

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

15. INTANGIBLE ASSETS AND GOODWILL (continued)

	<i>Goodwill</i>	<i>Software and licenses</i>	<i>Games library</i>	<i>Tele-communication licenses</i>	<i>Players' registration rights</i>	<i>Others^(a)</i>	<i>Capital work-in-progress</i>	<i>Total</i>
Cost								
As at 1 January 2024	66,067	24,379	8,815	9,247	7,514	21,414	5,077	142,513
Additions	-	1,106	-	97	2,056	3,566	5,402	12,227
Disposals and write offs	-	(2,075)	-	(80)	(1,035)	(12)	(83)	(3,285)
Transfers from / to CWIP	-	3,257	-	-	-	456	(3,713)	-
Other transfers and adjustments	(1,665)	580	-	(2)	(24)	2,000	(75)	814
As at 31 December 2024	64,402	27,247	8,815	9,262	8,511	27,424	6,608	152,269
Accumulated amortization and impairment losses								
As at 1 January 2024	2,462	15,598	441	4,547	2,247	5,895	35	31,225
Amortization charge	-	3,313	919	610	2,095	2,433	-	9,370
Impairment charges ^(b)	3,361	335	430	-	4	873	2,428	7,431
Disposals and write offs	-	(1,919)	-	(79)	(743)	(4)	-	(2,745)
Other transfers and adjustments	(15)	(79)	-	16	(44)	303	35	216
As at 31 December 2024	5,808	17,248	1,790	5,094	3,559	9,500	2,498	45,497
Net carrying value								
Balance as at 31 December 2024	58,594	9,999	7,025	4,168	4,952	17,924	4,110	106,772

(a) "Others" category within intangible assets primarily include technical developments, contract intangibles, technology and core deposit intangibles.

(b) Impairment loss amounting to ₪ 683 million (2024: ₪ 7,200 million) and ₪ 59 million (2024: ₪ 231 million) were allocated to general and administrative expenses and cost of revenue, respectively.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

15. INTANGIBLE ASSETS AND GOODWILL (continued)

15.1 Allocation of amortization charge for the year:

	<u>2025</u>	<u>2024</u>
Cost of revenue	4,347	3,699
General and administrative expenses	5,252	5,000
Others	1,377	671
	<u>10,976</u>	<u>9,370</u>

15.2 Other disclosures related to intangible assets:

- (a) The following is the cost, net book value and expiry dates of the main telecommunications licenses and frequency spectrum:

Country	End of amortization period	Cost (as at 31 December)		Book value (as at 31 December)	
		2025	2024	2025	2024
Kingdom of Saudi Arabia	2029 to 2039	6,891	4,582	4,179	2,301
Kuwait	2025 to 2039	3,576	3,569	1,178	1,319
Bahrain	2031 to 2038	1,112	1,111	504	548
Total		<u>11,579</u>	<u>9,262</u>	<u>5,861</u>	<u>4,168</u>

- (b) Non-cash additions during the year amounted to ₪ 2,311 million (2024: ₪ 1,867 million).

15.3 Impairment test on goodwill

For the purpose of carrying out impairment test of goodwill, the recoverable amounts for cash generating units ("CGUs") or groups of CGUs have been determined on the basis of value in use calculations using cash flow forecasts approved by management covering a three to five-year period. Cash flows beyond the five-year period have been extrapolated using growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

The goodwill allocated to CGU or groups of CGUs and the key assumptions used in the value-in-use calculations are as follows:

CGU / Group of CGUs	Goodwill		Discount rate %	Growth rate %
	2025	2024		
Banking - retail ^a	25,648	25,648	10.25	4.5
Banking - wholesale ^a	8,359	8,359	10.25	4.5
Gaming ^b	22,838	13,095	12 to 12.5	2.5
Media ^c	5,004	-	n/a	n/a
Telecommunication ^d	3,572	3,411	7.1 to 19.0	2.0 to 7.0
Mining	2,587	2,587	n/a	n/a
Others	6,050	5,494	5.9 to 19.35	2.0 to 3.50
Total	<u>74,058</u>	<u>58,594</u>		

- a) Related to merger between Saudi National Bank and Samba Financial Group during 2021.
b) Related to acquisition of Niantic Inc. in 2025, Scopely and Vindex in 2023 and SGG Esports AB and FACE IT in 2022.
c) The Group recognized a provisional goodwill of ₪ 5,004 million related to acquisition of MBC Group.
d) Related to Digital Infrastructure Investment Company, Arabian Internet and Communications Services Company, Contract Centre Company, Giza Systems Company, E-Portal Holding Company K.S.C. and others.
e) During 2024, goodwill relating to virtual reality CGU amounting to ₪ 2,740 million was impaired.

16. RIGHT-OF-USE ASSETS

 **Material accounting policies that apply to leases**

The determination of whether the contract is, or contains, a lease is based on the substance of the contract at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

▪ ***Right-of-use (ROU) assets***

The Group recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

▪ ***Lease liabilities (refer to note 22)***

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, each subsidiary uses its own incremental borrowing rate at the lease commencement date, in case the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is specific to lessee; the term of arrangement; the amount of funds borrowed; the security granted to the lessor and the economic environment. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

▪ ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

16. RIGHT-OF-USE ASSETS (continued)

**Material accounting policies that apply to leases (continued)****(a) Group as a lessee (continued)**

- **Depreciation of ROU assets**

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The following table summarizes the estimated useful lives of the major ROU assets categories of the Group:

Land	Up to 90 years
Building	Up to 40 years
Others	Up to 35 years

(b) Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease' if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Contingent rents are recognized as revenue in the period in which they are earned. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

16. RIGHT-OF-USE ASSETS (continued)

Cost:	<i>Land</i>	<i>Buildings</i>	<i>Others</i>	<i>Total</i>
As at 1 January 2025	11,189	9,160	4,543	24,892
Additions	1,394	4,301	1,271	6,966
Acquired through business combination	253	307	383	943
Disposals	(262)	(582)	(269)	(1,113)
Other transfers and adjustments	373	(361)	(622)	(610)
As at 31 December 2025	12,947	12,825	5,306	31,078
Accumulated depreciation and impairment losses:				
As at 1 January 2025	5,061	3,912	2,488	11,461
Depreciation charge	1,358	1,626	1,002	3,986
Acquired through business combinations	41	17	196	254
Disposals	(198)	(393)	(255)	(846)
Other transfers and adjustments	55	15	(751)	(681)
As at 31 December 2025	6,317	5,177	2,680	14,174
Carrying value at 31 December 2025	6,630	7,648	2,626	16,904

Cost:	<i>Land</i>	<i>Buildings</i>	<i>Others</i>	<i>Total</i>
As at 1 January 2024	8,445	7,854	6,103	22,402
Additions	1,455	2,340	1,502	5,297
Disposals	(226)	(1,116)	(662)	(2,004)
Other transfers and adjustments	1,515	82	(2,400)	(803)
As at 31 December 2024	11,189	9,160	4,543	24,892
Accumulated depreciation and impairment losses:				
As at 1 January 2024	3,527	3,705	2,444	9,676
Depreciation charge	954	1,162	1,197	3,313
Disposals	(142)	(967)	(449)	(1,558)
Other transfers and adjustments	722	12	(704)	30
As at 31 December 2024	5,061	3,912	2,488	11,461
Carrying value at 31 December 2024	6,128	5,248	2,055	13,431

16.1 Allocation of depreciation charge for the year

	<u>2025</u>	<u>2024</u>
Cost of revenue	2,123	1,868
General and administrative expenses	1,652	1,322
Others	211	123
Total	3,986	3,313

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

17. CUSTOMER DEPOSITS

Customers' deposits represent the payables arising from the Banking Operations of the Group. Customers' deposits are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost.

17.1 The details of customer deposits

	<u>2025</u>	<u>2024</u>
Current accounts	494,858	432,733
Time deposits	210,690	179,170
Saving accounts	2,100	2,607
Others (a)	26,743	31,535
	<u>734,391</u>	<u>646,045</u>

- a) Others mainly include margins held for irrevocable commitments and contingencies.
b) The amount of customer deposits compliant with Shariah is ₪ 522,703 million (2024: ₪ 473,756 million).

17.2 Breakdown of customer deposits

(a) Geographical analysis of customer deposits

	<u>2025</u>	<u>2024</u>
Kingdom of Saudi Arabia	657,210	573,561
Gulf Cooperation Countries	14,353	13,604
Other countries	62,828	58,880
	<u>734,391</u>	<u>646,045</u>

(b) Business analysis of customer deposits

Retail	356,763	348,394
Government	209,883	164,105
Corporate	141,522	109,462
Others	26,223	24,084
	<u>734,391</u>	<u>646,045</u>

17.3 Deposits held as collateral for irrevocable commitments and contingencies

	<u>2025</u>	<u>2024</u>
Letters of guarantee	5,773	5,848
Letters of credit	2,164	3,872
	<u>7,937</u>	<u>9,720</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

18. LOANS AND BORROWINGS

	<u>2025</u>	<u>2024</u>
Banking operations (note 18.1)	392,299	333,475
Non-banking operations (note 18.2)	332,956	236,962
Total borrowings	<u>725,255</u>	<u>570,437</u>

18.1 Banking operations

	<u>2025</u>	<u>2024</u>
Due to banks and other financial institutions (a)	205,860	200,414
Debt issued and borrowed funds (b)	186,439	133,061
Total loans and borrowings from banking operations	<u>392,299</u>	<u>333,475</u>

The movement in the debts issued and borrowed funds during the year is as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	133,061	83,419
Additions/drawdowns	197,873	123,070
Repayments	(144,688)	(71,624)
Others	193	(1,804)
As at 31 December	<u>186,439</u>	<u>133,061</u>

(a) Due to banks and other financial institutions

	<u>2025</u>	<u>2024</u>
Current accounts	9,970	9,280
Money market deposits (i)	84,901	89,404
Repos (ii)	110,989	101,730
Total	<u>205,860</u>	<u>200,414</u>

(i) Money market deposits

Due to banks and other financial institutions includes money market deposits with fixed or determinable payments that are not quoted in an active market.

(ii) Repos

Repo transactions are conducted under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) collateral guidelines. The securities pledged under agreement to repurchase (repo) are disclosed in note 18.3.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

18. LOANS AND BORROWINGS (continued)

18.1 Banking operations (continued)

(b) Debt issued and borrowed funds

The key features of the debt securities issued are as follows:

Particular	Tenure	Issue date	Interest / profit rate	Repayment details	2025	2024
(i) Term loans from banks and financial institutions						
Conventional Loans (USD)	1 – 5 years	2020 - 2025	Carrying interest at fixed rate and floating rate	Bullet repayment at maturity	69,772	54,984
Conventional Loans (SAR)	1 – 10 years	2023 – 2025			3,883	6,885
Conventional Loans (other currencies)	1 – 5 years	2024			-	1,245
(ii) Bonds issued						
Bonds (USD)	1 – 5 years	2020 - 2025	Carrying interest at fixed rate and floating rate	Bullet repayment at maturity	30,194	14,433
Bonds (other currencies)	5 – 10 years	2021			70	1,562
Certificates of Deposits (other currencies)	1-5 Years	2023- 2025			35,248	24,867
(iii) Sukuk issued						
Sukuk (other currencies)	3 – 12 months	2024 - 2025	Carrying profit at fixed rate	Bullet repayment at maturity	60	13
Sukuk (USD)	1 – 10 years	2023 - 2025	Carrying profit at fixed rate		16,670	6,000
Sukuk (SAR)	1 – 5 years	2020 - 2025	Carrying profit at fixed and floating rate		3,784	5,014
Sukuk (SAR)	5 – 10 years	2018 – 2025	Carrying profit at fixed rate		26,758	18,058
Total					186,439	133,061

As at 31 December 2025, Sukuk issued amounting to ₪ 36,875 million (2024: ₪ 20,000 million) were guaranteed by the Government of Kingdom of Saudi Arabia.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

18. LOANS AND BORROWINGS (continued)

18.2 Non-banking operations

	<u>2025</u>	<u>2024</u>
Bank borrowings (i)	180,787	128,706
Loans from government and government related entities (ii)	19,744	13,726
Bonds and Sukuk (iii)	123,195	85,945
Convertible notes (iv)	6,079	5,924
Bank overdraft and others	3,151	2,661
Total	<u>332,956</u>	<u>236,962</u>

The movement in borrowings during the year for non-banking operations is as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	236,962	191,792
Additions/drawdowns	135,968	86,653
Repayments/ settlements	(41,432)	(43,121)
Acquired through business combination	5,409	-
Foreign exchange fluctuations and others	(3,951)	1,638
At 31 December	<u>332,956</u>	<u>236,962</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

18. LOANS AND BORROWINGS (continued)

18.2 Non-banking operations (continued)

Particular	Tenure	Issue date	Interest / profit rate	Repayment details	2025	2024
(i) Bank borrowings						
Conventional Loans (USD)	1 – 20 years	2017 – 2025			98,347	85,754
Conventional Loans (SAR)	1 - 15 years	2021 – 2025			24,332	14,628
Conventional Loans (other currencies)	1 - 12 years	2020 – 2025	Fixed and floating rates	Bullet/installment repayments	3,012	767
Islamic loans (SAR)	1 - 20 years	2016 – 2025			19,928	17,325
Islamic loans (USD)	1 – 10 years	2021 – 2025			33,618	8,749
Islamic loans (other currencies)	5 – 10 years	2017 – 2025			1,550	1,483
(ii) Loans from government and government related entities						
in (SAR)	1 – 20 years	2016 - 2025	Fixed and floating rates	Installment repayments	16,052	8,979
in (USD)	35 years	2022	Floating rates		3,692	4,747
(iii) Bonds and Sukuk						
in (USD)	1 – 100 years	2019- 2025	Fixed rate	Bullet repayment at maturity	112,639	82,534
in (other currencies)	1 – 15 years	2025	Fixed rate		10,556	-
in (SAR)	7 – 10 years	2014 – 2024	Floating rates		-	3,411
(iv) Convertible notes						
Convertible notes	5 -10 years	2021 - 2025	Fixed rate	Maturity date 2026-2031	6,079	5,924
Bank overdraft and others			Fixed and floating rates	No fixed term of repayment	3,151	2,661
Total					332,956	236,962

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

18. LOANS AND BORROWINGS (continued)

18.3 Securities and collaterals

The Group has pledged/hypothecated the following assets in favor of the banks and financial institutions to fulfil the collateral requirements in the borrowing arrangements.

- (a) The Group enters into collateralized borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. The carrying amount and fair value of securities pledged under agreement to repurchase (repo) are as follows (as at):

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Held at FVOCI	29,498	29,498	32,697	32,697
Held at amortized cost	75,358	78,146	67,575	65,296
Total	104,856	107,644	100,272	97,993

- (b) Property, plant and equipment with a carrying value of ₪ 50,609 million as at 31 December 2025 (31 December 2024: ₪ 31,447 million) are pledged. These include property, plant and equipment and capital work-in-progress pledged as security to lenders (long-term borrowings) under the Common Terms Financing Agreement.
- (c) Inventories with a carrying value of ₪ 4,416 million (2024: nil) are pledged as collateral under a long-term financing agreement.
- (d) Investment properties with a carrying value of ₪ 4,192 million (2024: ₪ 5,506 million) are pledged. The long-term Islamic loan granted to the Group is secured by the Group's collateralized land.

18.4 Covenants and conditions

The covenants and conditions of the borrowing facilities require the Group to maintain certain level of financial covenants and other related requirements.

The covenants are monitored on a periodic basis by the Group. In case of potential breach, actions are taken by the Group to ensure compliance. There was no non-compliance for any of the covenants.

19. DEFERRED GOVERNMENT GRANTS



Material accounting policies that apply to government grants

Direct cash funding from the Government

The subsidiaries of the Group, from time to time, receive direct cash funding from the Government of Saudi Arabia ("Government"). Since the Group's owner is the Government, on receipt of funding from the Government, the Group evaluates the funding to determine if the transaction is a transaction with the Government in its capacity as the owner and therefore treated as 'additional capital contribution', or if not, then as a government grant.

The determination is done after considering various factors including but not limited to the following:

- whether the initial capital of the subsidiary of the Group was sufficient to meet its objectives;
- are there substantive conditions associated with the funding, ability of the subsidiary of the Group to comply with those conditions and whether there is a possibility to return those funds;
- are funding received part of the implementation of specific Government policy or initiative;
- would similar funding be given by the Government to an entity not owned by the Government i.e. the private sector; and
- whether funds are provided for the benefit of the economy/sector in general or particular to financial assistance to the subsidiary of the Group.

19. DEFERRED GOVERNMENT GRANTS (continued)



Material accounting policies that apply to government grants (continued)

Assessment of above factors requires significant judgement and evaluation to assess whether the Government has acted in the capacity as an ‘Owner’ or the Government.

Accounting for Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

- when the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. If the conditions for receiving the grant are met after the related expenses have been recognized, then the grant is recognized when it becomes receivable.
- when the grant relates to an asset, both the grant (liability) and related asset are presented initially at their gross values and then released to profit or loss on a systematic bases over the useful life of the related asset.
- when the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal value.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the subsidiary with no future related costs shall be recognized in the consolidated statement of profit or loss of the period in which it becomes receivable.

19.1 Movement of deferred government grants during the year

	<u>2025</u>	<u>2024</u>
As at 1 January	75,627	10,241
Received / receivable during the year	21,041	34,287
Transaction with the Owner (Note 25.1)	(20,555)	-
Amortization / income during the year	(10,966)	(4,638)
Acquired through business combinations	1,586	-
Reclassification of historical funding (a)	-	36,398
Others	1,746	(661)
As at 31 December	<u>68,479</u>	<u>75,627</u>

(a) During 2024, the Fund and the Ministry of Finance signed a Government Grant Letter (the “Grant Letter”), which clarifies the nature of the historical funding received by the Group being a government grant provided by the Government in its capacity as the Government, including the related terms and conditions for utilization of the historical funding. The Grant Letter provides additional information about the nature of the historical funding previously recognized as Additional Capital Contribution in Equity. Accordingly, the historical funding was reclassified to Deferred Government Grants during 2024.

(b) There are no unfulfilled conditions or contingencies attached to these grants.

20. ZAKAT AND INCOME TAX



Material accounting policies that apply to Zakat and income tax

Zakat

The Fund is not subject to Zakat collection in KSA, in accordance with Royal Order No. 35657 dated 29 Jumada Al-Thani 1442H (corresponding to 11 February 2021).

Saudi resident wholly owned companies by the Fund are subject to Zakat collection except for:

- Saudi wholly owned companies, and their wholly owned companies, which hold all of its direct investments outside the Kingdom of Saudi Arabia, and
- Saudi wholly owned companies, directly or indirectly, that are exempted from Zakat based on mutual agreement between the Fund and Zakat, Tax and Customs Authority ("ZATCA"), for a specified and agreed duration.

Although these companies are not subject to Zakat collection, the requirement to submit their Zakat return to ZATCA annually continues to remain effective.

The individual companies subject to Zakat collection within the Group calculate and record the Zakat provision based on the Zakat base in accordance with Zakat regulations in the Kingdom of Saudi Arabia.

Current income tax

The Fund is not subject to income tax in accordance with Saudi Corporate Income Tax law. The following companies within the Group are subject to Corporate Income Tax (CIT):

- Saudi resident companies which have foreign shareholders are subject to Saudi CIT in accordance with the Saudi CIT law (to the extent of the foreign shareholding).
- Indirectly owned companies resident in Saudi, who have a shareholder entity / entities (either immediate or otherwise) not situated within the GCC, are subject to Saudi CIT in accordance with the applicable Saudi Regulations.
- Companies resident outside Saudi are subject to CIT, as per the regulations of the respective jurisdictions

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided in full, using the liability method at tax rates enacted or substantively enacted at the end of the reporting period and expected to apply when the related deferred income tax is realized or settled on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In estimating such tax consequences, consideration is given to expected future events. Deferred income tax is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination that, at the time of the transaction, does not affect either the accounting profit or the taxable profit.

Deferred income tax assets are recognized where future recovery is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

20. ZAKAT AND INCOME TAX (continued)



Material accounting policies that apply to zakat and income tax (continued)

Value Added Tax (VAT)

Expenses and assets are recognized excluding the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the total invoice amount including VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

20.1 Zakat and income tax payable

	<u>2025</u>	<u>2024</u>
Zakat provision	7,000	7,996
Current income tax provision	1,188	478
Total	<u>8,188</u>	<u>8,474</u>

20.2 The movement in Zakat provision

	<u>2025</u>	<u>2024</u>
As at 1 January	7,996	7,277
Charge during the year	3,887	5,471
Amount paid during the year	(5,038)	(5,066)
Other adjustments	155	314
At 31 December	<u>7,000</u>	<u>7,996</u>

20.3 Zakat and income tax expense

	<u>2025</u>	<u>2024</u>
Zakat expense	3,887	5,471
Income tax expense	1,541	499
Total	<u>5,428</u>	<u>5,970</u>

20.4 Unrecognized deferred tax assets

	<u>2025</u>		<u>2024</u>	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	8,363	962	5,549	1,491
Carried forward tax losses	96,938	14,840	67,304	10,046

20.5 Tax losses carried forward for which no deferred tax is recognized

	<u>2025</u>		<u>2024</u>	
	Amount	Expiry period	Amount	Expiry period
Expiry	21,986	[2026-2045]	15,356	[2025-2044]
Indefinite	74,952		51,948	

21. TRADE AND OTHER PAYABLES



Material accounting policies that apply to trade and other payables

The accounting policy for trade and other payables that meet the definition of a financial liability is covered within material accounting policies that apply to the overall financial statements (refer to note 3). Below are the accounting policies for some categories of liabilities within this note.

Contract balances arising from contracts with customers

- **Contract liabilities:** A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Service concession liabilities

- Where the Group recognizes a service concession asset, a related liability shall also be recognized. The liability is initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration from the grantor to the operator, or from the operator to the grantor. The liability is accounted for as a financial liability and/or non-financial liability (unearned revenue) depending on whether the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of the service concession asset; and/or grants the operator the right to earn revenue from third-party users or another revenue-generating asset.

21.1 Details of trade and other payables

	<u>2025</u>	<u>2024</u>
Financial liabilities		
Accrued expenses and accounts payables	74,850	62,256
Trade payables	55,947	43,253
Employee-related payables	16,481	16,275
Service concession liabilities	26,124	5,733
Capital supplier dues and retentions	15,136	13,568
Government payables	10,227	6,647
Payables for projects	8,654	10,525
Clearing participant financial liabilities	3,610	4,150
Due to joint ventures and associates	1,351	1,323
Other financial liabilities	26,634	23,121
Sub-total (A)	<u>239,014</u>	<u>186,851</u>
Non-Financial liabilities		
Contract liabilities (note 21.2)	37,765	37,286
Service concession liabilities	3,528	19,798
Allowance for indirect facilities (banking and financing operations)	3,115	3,564
Other non-financial liabilities	5,384	8,788
Sub-total (B)	<u>49,792</u>	<u>69,436</u>
Total trade and other payables (A + B)	<u><u>288,806</u></u>	<u><u>256,287</u></u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

21. TRADE AND OTHER PAYABLES (continued)

21.2 Contract liabilities

Contract liabilities comprise of deferred revenue, advances from customers, rebate payable to customers and customers' loyalty programs.

Significant changes in contract liabilities during the year:

	<u>2025</u>	<u>2024</u>
As at 1 January	37,286	26,872
Additions during the year	21,286	26,119
Recognized as revenue	(22,430)	(15,682)
Other movements - net	1,623	(23)
As at 31 December	<u>37,765</u>	<u>37,286</u>

22. LEASE LIABILITIES

22.1 Group as a lessee

(a) The movement in the lease liabilities during the year ended 31 December

	<u>2025</u>	<u>2024</u>
As at 1 January	14,656	13,544
Additions during the year	6,830	5,314
Payments	(5,251)	(4,430)
Interest accrued and other movements	1,713	228
As at 31 December	<u>17,948</u>	<u>14,656</u>

(b) Total cash outflows for leases during the year ended 31 December

	<u>2025</u>	<u>2024</u>
Cash payment for the principal portion of the lease liability	4,395	3,830
Cash payment for the interest portion of the lease liability	856	600

(c) Amounts recognized in the consolidated statement of profit or loss for the year ended 31 December

	<u>2025</u>	<u>2024</u>
Depreciation expense of right-of-use assets	3,976	3,313
Expenses relating to short-term leases and variable lease payments	1,483	1,983
Interest expense on lease liabilities	956	819
Impairment expense of right-of-use assets	63	5
Total	<u>6,478</u>	<u>6,120</u>

(d) Undiscounted maturity profile of lease liabilities

	<u>2025</u>	<u>2024</u>
Less than three months	449	387
Between three months and 12 months	4,426	2,599
Between 1 year and five years	10,324	8,847
Above five years	9,391	6,574
	<u>24,590</u>	<u>18,407</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

22. LEASE LIABILITIES (continued)

22.1 Group as a lessee (continued)

(e) Inputs used to measure lease liability

<i>Details</i>	<i>2025</i>	<i>2024</i>
Range of discount rate	1.00% to 8.80%	1.38% to 8.6%
Years of maturity (*)	1 to 99 years	1 to 99 years

(*) The lower end of the range will be the earliest maturing leases and the higher end will be the last maturing lease.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Extension and termination options are included to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor. Group's leasing activities mainly comprises of leases of land and office spaces.

22.2 Group as a lessor – Operating lease contracts

Primary items of assets subject to an operating lease include land and building classified within Investment Properties amounting to ₪ 31,266 million (2024: ₪ 33,811 million) and aircrafts classified within property, plant and equipment. Lease income amounting to ₪ 6,278 million (2024: ₪ 5,494 million) has been recognized in the consolidated statement of profit or loss.

Lease payments for some contracts include price escalation, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group obtains refundable security deposits for the term of the lease.

Maturity analysis of undiscounted lease receivables

	<i>Minimum lease receivable</i>	
	<i>2025</i>	<i>2024</i>
Less than 1 year	4,726	4,546
1 to 2 years	4,086	4,141
2 to 3 years	3,943	3,650
3 to 4 years	3,375	3,414
4 to 5 years	2,862	3,081
Above 5 years	9,241	14,493
	<u>28,233</u>	<u>33,325</u>

(All amounts in million ₪ unless otherwise stated)

23. EMPLOYEES' BENEFITS**Material accounting policies that apply to employees' benefits****Retirement benefit costs and end of service benefits**

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

The Group's net obligation in respect to employees' end of service benefits provision is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets, if any. Employees' end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method, taking into consideration the labor law of the country in which the subsidiaries of the Group operate. The provision is recognized based on the present value of the defined benefit obligations. The present value of the defined benefit obligations is calculated using assumptions on the average salary incremental rate, average employees' years of service and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect the Group's best estimate.

The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, of the country in which the subsidiaries of the Group operate. For countries in which there is no deep market in such high-quality bonds, the market yields on sovereign (government) bonds, with a term consistent with the estimated term of the defined benefit obligation as at the reporting date, is used.

Re-measurement of net liabilities that includes actuarial gains and losses arising from the changes in assumptions used in the calculation, is recognized directly in other comprehensive income. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods.

Net interest cost is calculated by applying the discount rate to the net defined benefit assets or liabilities. The Group recognizes the following changes in the net benefit obligation identified in the consolidated statement of profit or loss:

- service costs that include the current service costs, past service costs, profits and losses resulting from labor downsizing and non-routine payments; and
- net interest cost or income.

Other short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

23.1 Types of employees' benefits

	<u>2025</u>	<u>2024</u>
Defined benefit liability (note 23.2)	14,686	12,940
Others	850	765
	<u>15,536</u>	<u>13,705</u>

23.2 Defined benefit plans

The Group provides for end of service benefits plan to its employees taking into consideration the local labor laws that are relevant and prevailing for the subsidiaries within the Group. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service years, calculated under the provisions of the Labor Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

23. EMPLOYEES' BENEFITS (continued)

23.2 Defined benefit plans (continued)

(a) Unfunded plan - end of service benefits

The Group operates an unfunded end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labor Laws and applicable laws for overseas subsidiaries. The calculation of end of service liability in respect of the plan was done using the most recent actuarial valuation.

(b) Changes in the present value of net defined benefit liability

The movements in the net defined benefits liability (present value of defined benefits obligations and fair value of plan assets) are as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	12,940	11,260
<i>Included in consolidated statement of profit or loss</i>		
Current service cost	2,313	2,216
Net interest expense	649	520
Others	(38)	(71)
	<u>2,924</u>	<u>2,665</u>
<i>Included in other comprehensive income</i>		
Actuarial gains	610	92
	<u>610</u>	<u>92</u>
<i>Other movements</i>		
End of service benefits paid	(2,239)	(1,167)
Others	451	90
	<u>(1,788)</u>	<u>(1,077)</u>
As at 31 December	<u>14,686</u>	<u>12,940</u>

(c) Key actuarial assumptions

The Group's plans are exposed to actuarial risks such as changes in discount rate and salaries of plan participants.

Key assumptions include expected salary increases [ranging from 1.60% to 11.00% (2024: 1.04% to 11.00%) per annum] and discount rates [4.1% to 6.38% (2024: 4.5% to 6.85%) per annum].

(d) Maturity profile of defined benefit liability

The expected maturity analysis of undiscounted employees' end of service termination benefits obligation is as follows:

	<u>2025</u>	<u>2024</u>
within 1 year	1,109	753
between 1 year to 5 years	4,182	3,798
beyond 5 years	21,199	21,284
Total	<u>26,490</u>	<u>25,835</u>

The weighted average duration of the employees' end of service termination benefits obligation for the subsidiaries within the Group range between 1.41 years and 18.9 years (2024: 1.6 years and 19.5 years).

(All amounts in million ₪ unless otherwise stated)

24. PROVISIONS**Material accounting policies that apply to provisions**

Provisions are recognized when the Group:

- has a present obligation (legal or constructive) as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is recognized in the consolidated statement of profit or loss, on gross basis and reimbursement is presented separately, if any.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other finance costs.

Provision for compensation due to expropriation

The Group recognizes provision for compensation due to expropriation; where, the Group has present obligation to bear the expropriation charges and outflow of economic benefits can be reliably measured.

24.1 Movement of provisions during the year

	<u>2025</u>	<u>2024</u>
As at 1 January	18,650	17,141
Current year provision / (reversal), net	2,610	(293)
Other movements, net*	181	4,354
Net increase in provision	2,791	4,061
Settlement during the year	(1,667)	(2,552)
As at 31 December	19,774	18,650

* During the year, provisions amounting to ₪ 448 million (2024: ₪ 4,818 million) were capitalized within Property, Plant and Equipment.

24.2 Breakdown of provisions

	<u>2025</u>	<u>2024</u>
Provision for claims from vendors ^(a)	4,836	4,638
Provision for compensation due to expropriation ^(b)	2,601	3,321
Provision for decommissioning and restoration ^(c)	3,320	3,236
Legal and regulatory provisions ^(d)	2,499	3,187
Provision for contract termination ^(e)	4,068	2,014
Other provisions	2,450	2,254
Total	19,774	18,650

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

24. PROVISIONS (continued)

- (a) Provisions of ₪ 4,836 million (2024: ₪ 4,638 million) were recorded in respect of valuation disputes with multiple suppliers. These disputes primarily relate to excavation works, including differences in measurement methodologies, scope interpretation and applicable rates. No legal proceedings have been initiated.
- (b) A high order assigned a Government agency (“Expropriator”) to carry out all expropriation activities in relation to Group projects and include required provisions within the Expropriator budget. For specified land areas of some of the Group projects, the Government directed the Group to bear the expropriation compensation, which include lands previously transferred to the Group without consideration or to be transferred to the Group in future. While all other expropriation activities are performed by the Expropriator, such as, obtaining legal permission to visit the private properties, identification of inventory eligible for compensation, verification of ownership documents, determining areas not eligible for compensation, determination of compensation due to expropriation, etc. The Group relies on the Government assigned Expropriator, to provide reliable estimate for the expropriation compensation cost.
- (c) Provisions for decommissioning, site rehabilitation and dismantling obligations are made for the costs associated with decommissioning, site rehabilitation, restoration and dismantling of assets such as mines, telecommunication sites and lands of some projects which are utilized in the course of Group’s normal operating activities. This provision represents the present value of the estimated future costs which are expected to be incurred in the year in which the respective assets are expected to be decommissioned.
- (d) The Group is party to number of legal and regulatory claims in the ordinary course of business. The Group, after taking independent legal advice, has established provisions based on the best estimates of the amounts required to settle these claims after considering the facts for each case.
- (e) Provisions of ₪ 4,068 million (2024: ₪ 2,014 million) in respect of contract termination costs primarily relates to changes in operational plans. The provisions have been recognized in the consolidated statement of profit or loss based on currently available information, including known costs and estimates where possible.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

25. CAPITAL CONTRIBUTION

Since the establishment of the Fund in 1971, the Government has contributed to the Fund's capital in the form of cash and / or in-kind.

25.1 Additional capital contribution

Additional capital contribution represents capital contribution in cash or in kind by the Owner. The amount also includes funding paid by the Owner to the Fund's wholly owned subsidiaries which are, after considering various factors described in note 3.2, determined to be a transaction with the Owner in their capacity as the parent. Additional capital contribution will be transferred to capital contribution upon approval by the Board of Directors.

The movement in additional capital contribution during the year is as follows:

	<u>2025</u>	<u>2024</u>
Assets and investments (returned) / received by Fund's wholly owned subsidiaries, net (a)	(119)	617,714
Funding received by Fund's subsidiaries	9	385
Cash received from Owner	54,294	16,185
In-kind contribution from the Owner (b)	-	11,080
Total contributions received during the year	54,184	645,364
Transaction with the Owner (c)	(56,502)	-
Reclassification of historical funding (Note 19)	-	(36,398)
Net movement in additional capital contribution	(2,318)	608,966

- (a) During 2024, the Owner transferred to two of the Fund's wholly-owned subsidiaries a portion of its interest, representing 8% ownership, in Saudi Arabian Oil Company ("Aramco").
- (b) During 2024, in accordance with the Owner's direction, the Fund's payable to the Owner amounting to ₪ 8,112 million was converted into additional capital contribution. Furthermore, investments amounting to ₪ 2,968 million were received.
- (c) During 2025, the Government, pursuant to the Council of Ministers' resolution, directed the Group to transfer certain infrastructure, utilities and related assets to the Ministry of Finance ("MoF"). Upon completion of the transfer in 2025, MoF has taken control of the transferred assets. The Group will continue to act as a developer on behalf of MoF for future development activities in relation to these assets. As a result, the Group has derecognized the transferred assets with a carrying value amounting to ₪ 77,057 million and related government grant liabilities amounting to ₪ 20,555 million, associated with these transferred assets (net assets amounting to ₪ 56,502 million). This common control asset transfer without consideration, executed on behalf of the Government, is considered an equity transaction with the Owner.

25.2 General reserves

This reserve was created following PIF's board resolution no. 108/1430 dated on 28 Dhu'l-Qa'dah 1430H (corresponding to 16 November 2009).

25.3 Other reserves

Other reserves mainly represent cumulative net changes in fair value of investment securities measured at FVOCI reserve until the investments are derecognized, remeasurement of employees defined benefit obligation ("EDBO") reserve, cumulative foreign currency translation reserve of foreign operations, cumulative cash flow hedge reserve and Group's cumulative share of OCI of associates and JVs.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

26. NON-CONTROLLING INTEREST

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI.

26.1 Summarized statement of financial position and summarized statement of profit or loss

As at, and for, the year ended 31 December 2025

	<i>SNB</i> ^(a)	<i>stc</i>	<i>Maaden</i>	<i>Ayar Third</i> ^(b)	<i>Other individually immaterial subsidiaries</i>
Proportion of ownership interests (and voting rights) held by NCI	62.33%	37.87%	36.09%	45.90%	
Carrying value of NCI ^(c)	133,903	34,562	28,450	14,241	19,466
Statement of financial position					
Assets	1,210,032	157,477	119,757	39,765	
Liabilities	(1,006,204)	(71,090)	(51,943)	(55,805)	
Non-controlling interest at subsidiary level	(18,202)	(2,973)	(6,221)	(14,241)	
Net assets attributable to equity owners	185,626	83,414	61,593	(30,281)	
Net assets attributable to NCI	133,903	34,562	28,450	14,241	19,466
Statement of profit or loss					
Revenue	75,077	77,819	38,578	5,077	
Profit / (loss) for the year	24,992	15,135	8,528	(15,378)	
Other comprehensive income / (loss)	1,486	18	(64)	52	
Total comprehensive income / (loss)	26,478	15,153	8,464	(15,326)	
Profit / (loss) allocated to NCI	15,569	5,923	3,832	(5,969)	(584)
Other comprehensive income / (loss) allocated to NCI	806	2	(23)	-	180
Total comprehensive income / (loss) allocated to NCI	16,375	5,925	3,809	(5,969)	(404)
Dividend paid to NCI	7,531	8,382	716	-	413

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

26. NON-CONTROLLING INTEREST (continued)

26.1 Summarized statement of financial position and summarized statement of profit or loss (continued)

As at, and for, the year ended 31 December 2024

	<i>SNB^(a)</i>	<i>stc</i>	<i>Maden</i>	<i>Ayar Third^(b)</i>	<i>Other individually immaterial subsidiaries</i>
Proportion of ownership interests (and voting rights) held by NCI	62.42%	37.84%	34.64%	41.58%	
Carrying value of NCI^(c)	126,872	36,904	26,243	17,544	9,550
Statement of financial position					
Assets	1,104,155	160,638	115,089	42,365	
Liabilities	(910,879)	(68,153)	(54,933)	(45,720)	
Tier 1 Sukuk	(2,000)	-	-	-	
Non-controlling interest at subsidiary level	(19,898)	(3,069)	(8,270)	(17,544)	
Net assets attributable to equity owners	171,378	89,416	51,886	(20,899)	
Net assets attributable to NCI	126,872	36,904	26,243	17,544	9,550
Statement of profit or loss					
Revenue	69,368	75,893	32,546	3,029	
Profit / (loss) for the year	21,094	24,916	4,134	(11,456)	
Other comprehensive loss	(13)	(308)	(261)	(26)	
Total comprehensive income / (loss)	21,081	24,608	3,873	(11,482)	
Profit / (loss) allocated to NCI	13,128	4,420	2,257	(4,397)	(621)
Other comprehensive loss allocated to NCI	(123)	(152)	(91)	(10)	(92)
Total comprehensive income / (loss) allocated to NCI	13,005	4,268	2,166	(4,407)	(713)
Dividend paid to NCI	6,778	5,315	315	-	505

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

26. NON-CONTROLLING INTEREST (continued)

26.2 Summarized statement of cash flows

For the year ended 31 December 2025

	<i>SNB^(a)</i>	<i>stc</i>	<i>Maaden</i>	<i>Ayar Third^(b)</i>
Net cash inflows (outflows) from operating activities	8,255	19,156	11,583	(11,167)
Net cash inflows (outflows) from investing activities	(22,136)	879	(10,776)	1,538
Net cash inflows (outflows) from financing activities	19,395	(22,206)	(5,438)	7,346
Net increase/(decrease) in cash and cash equivalents	5,514	(2,171)	(4,631)	(2,283)

For the year ended 31 December 2024

	<i>SNB^(a)</i>	<i>stc</i>	<i>Maaden</i>	<i>Ayar Third^(b)</i>
Net cash inflows (outflows) from operating activities	(42,220)	20,762	11,196	(5,526)
Net cash inflows (outflows) from investing activities	(23,562)	(9,031)	(4,076)	(6,828)
Net cash inflows (outflows) from financing activities	46,846	(9,554)	(2,206)	13,242
Net increase/(decrease) in cash and cash equivalents	(18,936)	2,177	4,914	888

SNB – Saudi National Bank (SNB)

stc – Saudi Telecom Company (stc)

Maaden – Saudi Arabian Mining Company (Maaden)

Ayar Third – Ayar Third Investment Company (Lucid)

- (a) Non-controlling interest includes Tier 1 Sukuk bonds issued by SNB for an amount of ₪ 17,653 million (2024: ₪ 19,188 million). SNB through a Shariah compliant arrangement ("the arrangement") issued additional cross border Tier 1 Sukuk (the "Sukuk"), amounting to ₪ 2,665 million (2024: ₪ 6,000 million). During the same period, SNB exercised the call option on its existing Tier 1 Sukuk amounting to ₪ 4,200 million (2024: nil). These arrangements were approved by the regulatory authorities and the Board of Directors of SNB.
- (b) Ayar Third is a wholly owned subsidiary of the Group. Non-controlling interest of Ayar Third arises from its subsidiary Lucid Group Inc. as the Group (through Ayar Third) holds 54.1% shareholding of the subsidiary (2024: 58.42%). Non-controlling interest in Lucid Group Inc. was measured at fair value on the date of acquisition.
- (c) Net assets attributable to NCI include non-controlling interest at subsidiary level.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

27. RELATED PARTY DISCLOSURES

Related parties represent the Owner, key management personnel, including their close family members and entities controlled or jointly controlled by such parties. These also represent entities that are significantly influenced by the Owner. Related parties also include associates and joint ventures of the Group and subsidiaries of such associates and joint ventures.

(a) Key Management Personnel

Key Management Personnel of the Group include members of the Fund's "Board of Directors", "Board Committees" and "Management Committees".

(b) Government of the Kingdom of Saudi Arabia (KSA Government)

The KSA Government, semi-Government and other entities with Government ownership or control, joint-control or significant influence including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group.

The Group enters into transactions on a regular basis with many of these bodies. Transactions include the payments of taxes, such as Zakat and value added tax, national insurance contributions and regulatory fees and levies, together with banking transactions such as financing, loans and borrowings and deposits undertaken in the normal course of business.

In accordance with the exemption in IAS 24, the management has complied with the disclosure requirements for government related entities.

Share of results and dividends received from associates and joint ventures and other movements in investments in associates and joint ventures are disclosed in note 12 to these consolidated financial statements.

In addition to the related party balances already disclosed in the relevant notes, following are the significant balances by category of related parties.

27.1 Balances with related parties

	<i>2025</i>			
	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Investment securities	1,137,838	2,516	-	1,140,354
Cash and deposits with banks and other financial institutions, net	46,120	31,962	-	78,082
Trade receivables	61,165	2,271	199	63,635
Financing and advances	15,279	38,310	4,632	58,221
Other assets	48,616	4,876	2,122	55,614
Customer deposits	209,883	2,763	1,940	214,586
Loans and borrowings	20,366	25,172	-	45,538
Trade and other payables	13,280	7,145	3,218	23,643

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

27. RELATED PARTY DISCLOSURES (continued)

27.1 Balances with related parties (continued)

	2024			
	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Investment securities	1,266,867	3,026	-	1,269,893
Cash and deposits with banks and other financial institutions, net	45,368	37,951	-	83,319
Trade receivables	54,488	298	234	55,020
Financing and advances	14,852	31,948	3,041	49,841
Other assets	47,861	3,322	2,078	53,261
Customer deposits	164,105	1,738	546	166,389
Loans and borrowings	19,078	21,601	-	40,679
Trade and other payables	12,859	5,455	2,600	20,914

Outstanding balances at the year-end are balances related to transactions in the ordinary course of the Group's activities and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

27.2 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties:

For the year ended 31 December 2025

	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Revenue	114,079	4,946	938	119,963
Cost of revenue	9,680	2,443	368	12,491
Other operating income	5,266	258	40	5,564
Other finance income	434	2,011	489	2,934
General and administrative expenses	6,133	846	98	7,077
Other finance costs	619	531	-	1,150

For the year ended 31 December 2024

Revenue	130,700	3,762	1,767	136,229
Cost of revenue	5,615	3,811	452	9,878
Other operating income	5,411	147	401	5,959
Other finance income	45	2,887	-	2,932
General and administrative expenses	6,275	2,415	409	9,099
Other finance costs	1,015	1,344	1	2,360

The Group has capitalized transactions with various related parties amounting to ₪ 10,554 million (2024: ₪ 16,839 million).

27.3 Remuneration of key management personnel

The remuneration of key management personnel includes short-term benefits amounting to ₪ 261 million (2024: ₪ 204 million) and post-employment benefits amounting to ₪ 4 million (2024: ₪ 4 million) included in the consolidated statement of profit or loss. Short-term benefits payable and post-employment liability amounted to ₪ 196 million (2024: ₪ 119 million) and ₪ 22 million (2024: ₪ 18 million) respectively.

28. REVENUE

 **Material accounting policies that apply to revenue**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

For contracts determined to be within the scope of IFRS 15, the Group applies a five-step model to determine when to recognize revenue from contracts with customers, and the amount of revenue to be recognized.

Principal versus agent

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded as a net amount reflecting the margin earned.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and at the end of each reporting period and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the expected future rebates (i.e., the amount not included in the transaction price).

Contract modification

A contract modification occurs when the Group and the customer approve a change in a contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. If the parties to the contract have not approved a contract modification, the Group shall continue with the existing contract until the contract modification is not recognized until it is approved. Approval can be in writing, verbal, or implied by customary business practices.

The Group treats a contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

Revenue recognition

Revenue is recognized based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. Revenue is recognized, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer (buyer) control over the promised goods and services, either:

- at a point in time or
- over a time basis equivalent to the stage of completion of the service.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The timing of revenues recognition is either at a point in time or over time depending upon the satisfaction of the performance obligation by transferring control of goods or services to the customer. When there is a high degree of uncertainty about the possibility of collection from certain customers, the Group recognizes revenue only upon collection.

The main revenue earned by the Group are from the following goods and services:

(a) Revenue from Telecommunication services

The Group principally earns revenue from airtime usage, messaging, data services, interconnect fees, connection fees and device sales. Products and services may be sold separately or in bundled packages. *Telecommunication services:* Telecommunication services include voice, data, messaging, broadband, internet, data connectivity and value-added services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).

Bundled packages: Arrangements involving multiple products and services are separated into individual items and revenues is recognized on the basis of fair value (standalone selling prices) of the individual items by allocating the total arrangement consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer.

Enterprise solutions services: include system integration, IT managed services, cyber security, data/data centers and cloud, outsourcing and digital services. The Group recognizes revenue when control transfers to the customer (over time or at a point in time).

Mobile and other devices: The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.

(b) Revenue from mining activities

▪ Sale of phosphate fertilizer, ammonia and industrial minerals

The Group, as principal, sells phosphate fertilizer, ammonia and industrial minerals products directly to customers and also through marketing agents, acting as agents, for the sale of phosphate fertilizer and ammonia.

The Group sells a significant proportion of its goods on Cost and freight ocean transport ("CFR") International Commercial terms ("Incoterms") and therefore the Group is responsible for providing shipping services after the date at which control over the promised goods have passed to the customer at the loading port. The Group is therefore responsible for the satisfaction of two performance obligations under its CFR contracts with the customers and recognizes revenue as follows:

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

Revenue recognition (continued)

(b) Revenue from mining activities (continued)

▪ **Sale of phosphate fertilizer, ammonia and industrial minerals**

- sale and delivery of goods at the loading port resulting in the transfer of control over such promised goods to the customer and recognizing the related revenue at a point in time basis; and
- shipping services for the delivery of the promised goods to the customer's port of destination and recognizing the related revenue over a time basis, equivalent to the stage of completion of the services.

The physical loading of the approved promised goods on the vessel, satisfies the Group's performance obligation and triggers the recognition of revenue at a point in time.

▪ **Sale of alumina, primary aluminum products and flat rolled products**

The Group, as principal, sells alumina, primary aluminum products and flat rolled products directly to customers and in accordance with the contract, the promised goods are provisionally priced. The sales price is not settled until a predetermined future date and is based on the market price at a time or over a pre-defined period of time. Revenue on these sales is initially recognized (when all the above criteria are met), at a provisional price based on the pricing mechanism as specified in the contract. Provisionally priced sales are marked-to-market at each reporting date using the forward price for the period equivalent to that outlined in the contract and in the carrying amount of the outstanding trade receivable. Such fair value gains (losses) on provisionally priced products are presented within revenue.

▪ **Other mining revenue**

Other mining revenue comprises of sale of gold bullion and metal concentrates (copper, zinc and silver). The Group, as principal, sells gold bullion directly to customers under contract, which vary in tenure and pricing mechanisms. The Group's primary product is gold and the concentrates produced as part of the extraction process are considered to be by-products arising from the production of gold.

(c) Banking and Financing operations

▪ **Special commission (interest) income and expense**

Special commission income and special commission expense for all interest-bearing financial assets and liabilities, except those classified as FVTPL, are recognized using the effective interest method. This is applicable as well for non-banking and financing operation. Special commission income and expense include interest income and expense for conventional financing.

Special commission income and special commission expense for non-banking and financing operation are presented as finance income (refer to note 34) and finance costs (refer to note 33), respectively.

Fee income received in connection with financing and advances that are integral component of the effective interest rate are adjusted from the amortized cost of the related financing and advances and recognized in the consolidated statement of profit or loss over the life of the respective financial asset. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial instrument. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

(c) Banking and Financing operations (continued)

▪ **Special commission (interest) income and expense (continued)**

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

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

▪ **Fee and other income expenses**

Income from FVTPL includes all realized and unrealized gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets held for trading and foreign exchange differences on open positions.

Exchange income from banking services is recognized at a point in time.

Fees income and expenses are recognized over a period of time as the service is provided.

Financing commitment fees for financing arrangement that are likely to be drawn down are deferred and recognized as an adjustment to the effective yield on the financing arrangement. Portfolio and other management advisory and service fee income are recognized when services are determined as complete in accordance with the underlying agreement based on performance obligations being met and agreed with the customer.

Fee income received on other services that are provided over an extended period of time, the revenue is recognized over the period of time on proportionate basis when the service is being provided, if material.

Fee received in connection with syndication financing where the Group acts as the lead arranger and retains no part of the financing for itself (or retains a part at the same EIR for comparable risk as other syndicate participants) is recognized upon the execution of the syndicate financing arrangement. Moreover, commitment fee received by the Group where it is unlikely that a specific lending arrangement will be entered into by the counterparty is recognized with reference to nature and execution of related performance obligation.

Other fee expenses mainly relate to transaction and services fee, which are expensed as related services are provided.

(d) Revenue from real estate operations

▪ **Rental income**

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for variable rental income which is recognized when it arises. The Group recognizes income from turnover rent on the basis of turnover reports submitted by the tenants. In the absence of reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts.

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

(d) Revenue from real estate operations (continued)

▪ **Rental income (continued)**

Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

▪ **Service charges, management charges and other expenses recoverable from tenants**

Income arising from expenses recharged to tenants is recognized in the period in which the services are performed and the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of the related costs, Group acts as principal in this respect.

▪ **Sale of land and properties**

The Group sells residential and commercial properties and parcels of land from contracts with customers. The revenue for such sales is recognized based on the pattern of satisfaction of the related performance obligations.

Revenue from the sale of land is recognized at a point in time or over time depending on when the Group satisfies the related performance obligations. For over time recognition, revenue is recognized when the Group satisfies the performance obligation as the one of criteria specified in IFRS 15 is met, which is that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

In respect of the revenue from sale of properties, the Group recognizes revenue when the underlying performance obligation is satisfied. Such revenue is recognized at point in time or over time depending on terms of contract with the customer and underlying performance obligations.

(e) Revenue from other industries

▪ **Vehicle sales**

Vehicle sales revenue is generated from the sale of electric vehicles to customers. There are two performance obligations identified in vehicle sale arrangements. These are the vehicle including an on-board advanced driver assistance system (ADAS), and the right to unspecified over-the-air (OTA) software updates to be provided as and when available over the term of the basic vehicle warranty, which is generally 4 years. Shipping and handling provided by the Group is considered a fulfilment activity.

The Group recognizes revenue related to the vehicle when the customer obtains control of the vehicle which occurs at a point in time either upon completion of delivery to the agreed upon delivery location or upon pick up of the vehicle by the customer. As the unspecified OTA software updates are provided when-and-if they become available, revenue related to OTA software updates is recognized ratably over the basic vehicle warranty term, commencing when control of the vehicle is transferred to the customer.

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

(e) Revenue from other industries (continued)

- **Oilfield services**

The Group provides oilfield services related to its customers. These include services related to cementing, drilling, wireline logging, surface well testing, fracturing, slickline and inspections. Revenue for such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the services as acknowledgement of the receipt of services. The services are billed to the customer at the completion of services or, in the case of long-term contracts, at the end of each month.

- **Revenue from Gaming**

The Group recognizes revenue from various revenue streams as below:

- *Online games:* Revenue from the sale of in-app virtual items is earned through mobile platforms, social media platforms and online stores. The games operate as live services allowing the players a free-to-play experience. To enhance the game-playing experience, players can purchase in-app virtual goods, purchase virtual currency to exchange for in-app virtual goods, or receive virtual goods through a paid subscription. The service period depends on the classification of a virtual item as consumable or durable, between which Group categorizes its in-app virtual goods. Consumable virtual items represent items that can be consumed by a specific play action. Common characteristics of consumable virtual items may include items that are no longer displayed on player's game board after a short period of time, do not provide the player any continuing benefit following consumption, or often times enables a player to perform an in-game action immediately. The Group has one performance obligation related to its sales of consumable goods, which is to provide the player the selected consumable good when purchased directly or exchanged for virtual currency. The Group satisfies its performance obligation and recognizes the transaction price from the sale of consumable virtual items as revenue as the items are consumed.

Durable virtual items represent items that are accessible to the player over an extended time period. The Group satisfies its performance obligation and recognizes the transaction price from the sale of durable virtual goods as revenue ratably over the estimated average paying player lives for the applicable game, which represents the Group's best estimate of the average life of durable virtual goods.

If the Group does not have the ability to determine the allocation of the transaction price to each of the attributable performance obligations for consumable virtual items and durable virtual items for a specific game, it recognizes all revenue ratably over the estimated average playing period of players for the applicable game until sufficient historical data can be obtained.

The transaction price allocated to each performance obligation is based on the fixed price paid by the player to purchase each specific good. The third-party commission fees due to the mobile or social platform specific to each good is also allocated to each performance obligation. Revenue is recorded gross of the costs associated with the transaction, as it is determined the Group is the Principal.

- *Publisher contribution:* The consideration received from game publishers to execute a league or tournament for a game where the publisher intellectual property is integrated into professional and amateur competitive events. Revenue is recognized based on specific terms agreed with the publisher which is either at a point in time (i.e., month when event occurs due to the short-term nature of the event) or over time (percentage of completion based on allocation of individual activities' revenues).

28. REVENUE (continued)



Material accounting policies that apply to revenue (continued)

(e) Revenue from other industries (continued)

▪ **Manpower services**

Revenue from providing manpower services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual hours spent relative to the total expected hours under the contract.

▪ **Revenue from Events management services**

Revenue from providing events management services is recognized in the accounting period in which the services are rendered (i.e. over the time when the services are rendered).

▪ **Revenue from Advance traffic management system and related activities**

The Group's agreement related to revenue from advanced traffic management system is for providing traffic monitoring and capturing of traffic violations services. Revenues from these services are measured based on a negotiated percentage of rates, determined by the Royal order. The Group accounts for that service (capturing and registering of traffic violations) as a single performance obligation at a point in time.

▪ **Income from Investment operations**

Income from investment operations recognized as below:

- *Income from investments:* Net income from investments comprises of all gains and losses from changes in the fair value of financial assets and financial liabilities measured at fair value through profit and loss, together with the related interest income, expense, dividends and gain/loss on disposal of investment.
- *Distribution income:* Distribution of income from investments is recognized when the Group's right to receive payment has been established (if it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

(f) Dividend income

Dividend income from investments in equity instruments is recognized when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

28. REVENUE (continued)

28.1 Revenue breakdown on activities and services

	<u>2025</u>	<u>2024</u>
Revenue from banking and financial services (a)	85,317	79,621
Revenue from telecommunication	76,795	78,444
Revenue from mining activities	38,826	32,546
Revenue from electronic gaming and related services	15,579	15,856
Revenue from advance traffic management system and related activities	13,069	12,140
Revenue from information technology solutions and services	8,866	9,192
Revenue from agricultural and livestock production and related services	7,574	2,481
Revenue from events' operations services	7,551	5,963
Revenue from leasing	6,278	5,494
Revenue from real estate operations	5,721	6,999
Revenue from sale of vehicles and related goods and services	4,439	2,823
Revenue from aviation services	4,084	3,741
Revenue from manpower and outsourcing services	3,878	3,415
Revenue from oilfield related services	3,595	3,507
Revenue from medical supplies	3,445	2,361
Revenue from advance electronics and aerospace	2,755	3,247
Others	24,262	16,175
Total	<u>312,034</u>	<u>284,005</u>

a) Breakdown of revenue from banking and financial services:

Special commission and interest income	69,396	66,606
Fee and commission income	8,460	7,424
Trading and other revenue from banking and financial services	7,461	5,591
	<u>85,317</u>	<u>79,621</u>

28.2 Other disclosures related to revenue

- (a) Revenue recognized that was included in the contract liability balance at the beginning of the year amounted to ₪ 13,293 million (2024: ₪ 9,536 million).
- (b) The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) amounted to ₪ 70,243 million (2024: ₪ 48,359 million). Out of the above total future revenue, the amount expected to be recognized within the next 12 months amounting to ₪ 20,967 million (2024: ₪ 14,621 million) and following the 12 months period amounting to ₪ 49,276 million (2024: ₪ 33,738 million).

28.3 Income from investment activities

	<u>2025</u>	<u>2024</u>
Dividend income from investment securities	65,304	83,990
Income from fair value changes in financial instruments designated at FVTPL	38,812	19,071
Income from fair value changes in managed funds and similar securities	29,073	20,740
Realized income on redemption/disposal of investments, net	1,829	3,481
Interest income from investment in financial instruments measured at amortized cost	2,887	2,136
Total income from investment operations	<u>137,905</u>	<u>129,418</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

28. REVENUE (continued)

28.4 Analysis and timing of revenue recognized from contracts with customers

	<u>2025</u>	<u>2024</u>
At a point in time	114,935	96,187
Over a period of time	112,588	102,703
	<u>227,523</u>	<u>198,890</u>

(a) Revenue from contracts with customers generated in MENA region based on the geographical location of the customers amounted to ₪ 163,323 million (2024: ₪ 146,056 million).

29. COST OF REVENUE



Material accounting policies that apply to cost of revenue and other expenses

The Group recognizes the expenses under following categories based on the nature of expenses:

(a) Cost of revenue

Cost of revenue represents the cost incurred by the Group and directly attributable for fulfilling its service and obligations with respect to its contract with customers and finance costs for the banking entities of the Group.

(b) Selling and distribution expenses

Selling and distribution expenses comprise of all costs for selling, marketing and transportation of the Group's products and include expenses for advertising, marketing fees, other sales related expenses. Allocation between selling and distribution expenses and cost of revenue are made on a consistent basis, when required.

(c) General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of either cost of revenue or selling and distribution expenses. Allocation between general and administrative expenses and cost of revenue are made on a consistent basis, when required.

(d) Other operating expenses

Other operating expenses include direct and indirect costs not specifically part of either of the above categories of expenses.

Cost of revenue from banking and financing operations	<u>2025</u>	<u>2024</u>
Special commission expense	25,353	26,319
Interest expense	12,262	10,549
Fee and commission expenses	3,166	2,538
	<u>40,781</u>	<u>39,406</u>
Cost of revenue from non-banking and non-financing operations		
Employee costs	28,671	25,697
Depreciation and amortization	22,345	20,574
Raw materials/direct materials consumed	21,254	15,346
Cost of goods sold	19,022	15,298
Projects costs	11,908	11,294
Operations, repairs and maintenance	6,938	6,338
Government charges	6,906	6,752
Network access charges	6,450	8,126
Contracted services	5,488	5,066
Revenue-based commission - mobile apps	3,531	4,094
Obsolete and slow-moving inventory	3,124	2,606
Cost of sale of land and residential units	2,066	3,524
Impairment charge of non-financial assets, net	827	3,069
Other cost of revenue	25,526	19,397
	<u>164,056</u>	<u>147,181</u>
Cost of investment activities		
Investments advisory expenses	2,087	2,405
Other cost of revenue from investment operations	102	172
	<u>2,189</u>	<u>2,577</u>
Total cost of revenue	<u>207,026</u>	<u>189,164</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

30. OTHER OPERATING INCOME / (EXPENSE), NET

	<u>2025</u>	<u>2024</u>
Government grant income and amortization of government grant	10,503	4,576
Impairment charge on investments in associates and joint ventures	(3,461)	(936)
Other operating expense (a)	(5,861)	(3,688)
Total	<u>1,181</u>	<u>(48)</u>

(a) Includes provisions relating to supplier contracts and loss on re-measurement of a financial liability.

31. SELLING AND DISTRIBUTION EXPENSES

	<u>2025</u>	<u>2024</u>
Advertising and publicity	5,613	7,438
Employee costs	4,560	4,385
Sales commissions	1,724	1,231
Other selling and distribution expenses	3,355	2,921
Total	<u>15,252</u>	<u>15,975</u>

32. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2025</u>	<u>2024</u>
Employee costs	50,517	43,068
Impairment of non-financial assets	46,833	74,745
Amortization and depreciation	16,456	11,997
Consultancy, legal and professional fees	11,655	14,248
Research and development costs	6,233	4,830
Contracted services	3,397	2,756
Repairs and maintenance expenses	3,095	3,263
Licenses and IT support	2,863	1,659
Sponsorships and advertisement	2,818	1,628
Other administrative expenses	13,112	13,719
Total	<u>156,979</u>	<u>171,913</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

33. FINANCE COST



Material accounting policies that apply to finance costs

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of constructing a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs it incurs during that year.

All other borrowing costs are expensed in the period in which they are incurred.

	<u>2025</u>	<u>2024</u>
Finance cost on conventional borrowings	7,191	6,225
Finance cost on Sukuk	5,496	4,676
Other finance costs	5,998	3,735
Total	<u>18,685</u>	<u>14,636</u>

34. FINANCE INCOME

	<u>2025</u>	<u>2024</u>
Interest income from banks (including time deposits, short-term deposits)	7,922	8,512
Interest income on loans and advances	1,336	1,946
Other finance income	2,059	1,293
Total	<u>11,317</u>	<u>11,751</u>

35. EMPLOYEE COSTS

	<u>2025</u>	<u>2024</u>
Wages and salaries	51,769	45,497
Other indirect benefits and allowances	10,125	8,994
Employees' medical/health/life insurance expenses	3,730	3,332
Contribution to social insurance	2,900	2,657
Employees' defined benefits obligations	2,318	2,227
Share based payment expense	1,783	1,077
Others	12,616	10,590
Total	<u>85,241</u>	<u>74,374</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

35. EMPLOYEE COSTS (continued)

Staff costs allocated to:	<u>2025</u>	<u>2024</u>
General and administrative expenses	50,517	43,068
Cost of revenue	28,671	25,697
Selling and distribution expenses	4,560	4,385
Cost capitalized under PPE	1,493	1,224
Total	<u>85,241</u>	<u>74,374</u>

36. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<u>2025</u>	<u>2024</u>
Impairment loss on financing, advances, loans – net of recoveries	3,806	1,278
Impairment loss on trade and other receivables – net of recoveries	1,799	2,591
Other impairment loss	689	631
Reversal on Islamic financing and investment products – net of recoveries	(2,652)	(79)
Total	<u>3,642</u>	<u>4,421</u>

37. COMMITMENTS AND CONTINGENCIES



Material accounting policies that apply to commitments and contingencies

Financial guarantees and loan commitments

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of loss allowance.

Contingent liabilities

Contingent liabilities are possible obligations, whose existence will either be confirmed by future events not wholly within the Group's control, or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Also, to the extent any information required is not disclosed because it is not practicable to do so, that fact is stated.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

37. COMMITMENTS AND CONTINGENCIES (continued)

37.1 Commitments

(a) Investment commitments

The Group has the following contractual investment commitments:

	<u>2025</u>	<u>2024</u>
Investment securities	174,946	174,331
Investment in associates and joint ventures	3,822	3,666
Total	<u>178,768</u>	<u>177,997</u>

(b) Capital commitments

The Group has capital commitments amounting to ₪ 405,184 million (2024: ₪ 400,241 million) which are expected to be utilized within five years.

(c) Other commitments

The Group has purchase commitments amounting to ₪ 9,850 million (2024: ₪ 10,274 million).

37.2 Assets held in fiduciary capacity

The Group through its banking operations offer investment management, other fiduciary activities on behalf of clients, including management of certain investment funds in consultation with professional investment advisors, and hold assets in fiduciary capacity amounting to ₪ 321,176 million (2024: ₪ 295,491 million). Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly have not been included in the consolidated statement of financial position.

The Group manages certain entities on behalf of the Owner, which are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

37.3 Contingencies

	<u>2025</u>	<u>2024</u>
Financial guarantees ^(a)	147,470	122,966
Letters of credit	25,912	25,876
Customer acceptances	8,570	9,710
Performance bonds	7,177	7,418
Third party claims	11,113	4,318
Others	25,795	5,994
Total	<u>226,037</u>	<u>176,282</u>

(a) Financial guarantees exclude related provision for ECL amounting to ₪ 2,981 million (2024: ₪ 3,364 million). Net ECL reversal on commitments and contingencies amounts to ₪ 371 million (2024: ₪ 590 million).

37.4 Undrawn loan commitments

	<u>2025</u>	<u>2024</u>
Undrawn loan and Murabaha commitments	<u>70,043</u>	<u>61,656</u>

These exclude deposits amounting to ₪ 6,386 million (2024: ₪ 7,939 million) of margins held for irrevocable commitments and contingencies.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within 12 months and more than 12 months from consolidated statement of financial position date:

	2025		2024	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
ASSETS				
Cash and deposits with banks and other financial institutions	350,192	4,212	311,002	4,910
Investment securities	390,232	1,771,260	402,073	1,762,872
Trade receivables	83,360	-	70,776	-
Financing and advances	404,740	394,753	319,755	393,294
Derivatives	1,957	28,445	10,226	29,186
Inventories	32,556	10,448	20,275	5,635
Other assets	111,480	84,444	132,209	68,252
Investments in associates and joint ventures	-	212,843	-	196,866
Investment properties	-	80,492	-	65,466
Property, plant and equipment	-	429,580	-	404,230
Intangible assets and goodwill	-	129,793	-	106,772
Right-of-use assets	-	16,904	-	13,431
Deferred tax assets	-	3,347	-	4,206
TOTAL ASSETS	1,374,517	3,166,521	1,266,316	3,055,120
LIABILITIES				
Customer deposits	727,174	7,217	625,363	20,682
Loans and borrowings	299,200	426,055	287,557	282,880
Derivatives	1,309	27,362	1,111	27,656
Zakat and income tax	8,188	-	8,474	-
Trade and other payables	237,700	51,106	208,111	48,176
Provisions	14,815	4,959	12,741	5,909
Lease liabilities	4,171	13,777	3,081	11,575
Employees' benefits	26	15,510	145	13,560
Deferred government grants	3,286	65,193	2,015	73,612
Deferred tax liabilities	-	4,918	-	5,484
TOTAL LIABILITIES	1,295,869	616,097	1,148,598	489,534

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT

The tables below set out the Group's classification of each class of financial assets, net of ECL, and financial liabilities at the date of consolidated statement of financial position:

		<i>31 December 2025</i>			
<i>Description</i>	<i>Note</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total carrying value</i>
Financial Assets					
<i>Non-derivative financial assets</i>					
Cash and deposits with banks and financial institutions	5	-	-	354,404	354,404
Investment securities	6	688,907	1,221,994	250,591	2,161,492
Financing and advances	7	-	-	799,493	799,493
Trade receivables	9	2,252	197	80,911	83,360
Other financial assets	11	-	-	62,944	62,944
<i>Derivative financial assets</i>					
Derivatives	8	30,402	-	-	30,402
Total Financial Assets		721,561	1,222,191	1,548,343	3,492,095
Financial Liabilities					
<i>Non-derivative financial liabilities</i>					
Customer deposits	17	-	-	734,391	734,391
Loans and borrowings	18	6,079	-	719,176	725,255
Trade and Other payables	21	-	-	239,014	239,014
Lease liabilities	22	-	-	17,948	17,948
<i>Derivative financial liabilities</i>					
Derivatives	8	28,426	245	-	28,671
Total Financial Liabilities		34,505	245	1,710,529	1,745,279
		<i>31 December 2024</i>			
<i>Description</i>	<i>Note</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total carrying value</i>
Financial Assets					
<i>Non-derivative financial assets</i>					
Cash and deposits with banks and financial institutions	5	-	-	315,912	315,912
Investment securities	6	638,191	1,293,508	233,246	2,164,945
Financing and advances	7	-	-	713,049	713,049
Trade receivables	9	2,983	258	67,535	70,776
Other financial assets	11	995	-	66,562	67,557
<i>Derivative financial assets</i>					
Derivatives	8	37,057	2,355	-	39,412
Total Financial Assets		679,226	1,296,121	1,396,304	3,371,651

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

Description	Note	31 December 2024			
		Measured at FVTPL	Measured at FVOCI	Measured at amortized cost	Total carrying value
Financial Liabilities					
Non-derivative financial liabilities					
Customer deposits	17	-	-	646,045	646,045
Loans and borrowings	18	5,924	-	564,513	570,437
Trade and other payables	21	-	-	186,851	186,851
Lease liabilities	22	-	-	14,656	14,656
Derivative financial liabilities					
Derivatives	8	27,787	980	-	28,767
Common Stock warrants		73	-	-	73
Total Financial Liabilities		33,784	980	1,412,065	1,446,829

39.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to the credit risk through financial assets. The Group's exposure to such credit risk is monitored on an ongoing basis by the management. The Group's cash is placed with banks of repute.

(a) Credit risk management and structure

The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios.

The Group's maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2025	2024
Financial Assets		
Non-derivative financial assets		
Cash and deposits with banks and other financial institutions	345,878	308,219
Investment securities - debt	378,081	341,188
Financing and advances	799,493	713,049
Trade receivables	83,360	70,776
Other financial assets	62,944	67,557
Derivative financial assets		
Derivatives	30,402	39,412
Total financial assets	1,700,158	1,540,201
Commitments and guarantees		
Financial guarantees	144,489	119,602
Letters of credit	25,912	25,876
Customer acceptances	8,570	9,710
Undrawn loan commitments	70,043	61,656
	249,014	216,844
Total maximum credit exposure	1,949,172	1,757,045

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(b) Credit risk measurement

The Group use either or a combination of general approach and simplified approach to measure credit risk and compute expected credit losses.

For instruments where the general approach is used, the estimation of credit risk for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails making further estimations on the likelihood of defaults occurring and the associated loss ratios. The Group measure ECL using the PD, EAD and LGD.

These parameters are generally derived as follows:

- PDs are generally derived from third party service provider Company Default Risk models, internally developed statistical models and other historical data, and are adjusted to reflect forward-looking information.
- LGD is based on local regulatory guidance and internally developed model. The Group consider the nature of the counterparty when assigning an LGD.
- EAD of a financial asset is its gross carrying amount.

For instruments where the simplified approach is followed, i.e. trade receivables, retention receivables and contract assets, credit risk is assessed using a provision matrix approach. Under the provision matrix approach, a historical credit loss experience adjusted for forward-looking information is used in estimating ECL.

(c) Credit risk management

The expected credit loss is estimated as per provisioning policies which consider, in determining the recoverability of a financial asset, any change in the credit quality of the financial asset from the date credit was initially granted up to the end of the reporting date.

The Group carries periodic reviews of its counterparties, to update their credit worthiness in the light of available information and historical observed defaults.

Credit exposures arise principally in credit-related risk that is embedded in financing and advances and debt investments. There is also credit risk in off-balance sheet financial instruments, such as trade-finance related products, derivatives and financing commitments.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Risk management policies are designed to identify risks and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis.

39. FINANCIAL RISK MANAGEMENT (continued)**39.1 Credit risk (continued)***(c) Credit risk management (continued)*

The credit exposure relating to the trading activities within Banking operations is managed by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their contractual obligation and the Group assesses counterparties using the same techniques as for its financing activities in order to control the level of credit risk taken.

Concentrations of credit risk may arise in case of sizeable exposure to a single obligor or when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular customer, industry or geographical location.

Corporate borrowers are rated based on an internally or externally developed rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimates norms for each grade have been developed based on the Group's experience. These risk ratings are reviewed on a regular basis.

The Group, in the ordinary course of lending activities, holds collaterals as security to mitigate credit risk in financing and advances. These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realizable values. The Group holds real estate collateral against registered mortgage as a collateral financial instrument such as financing and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done.

The Group manages its credit risk exposure through the diversification of financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant financing and advances. The Group monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and policy.

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The credit quality is categorized either:

- Investment Grade is composed of Very Strong Credit Quality (AAA to BBB-)
- Non-Investment Grade is composed of: Good, satisfactory and Special Mention Credit Quality (BB+ to C)
- Unrated is not included in the above categories

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

The Group categorizes its financial assets into the following three stages in accordance with their credit quality:

	<i>Gross Carrying amount</i>		
	<i>2025</i>		
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>
Due from banks and financial institutions			
Investment grade	141,675	-	-
Non-investment grade	8,594	-	-
Unrated	1,700	-	-
Total	151,969	-	-
Financing and advances			
Investment grade	191,839	995	18
Non-investment grade	187,886	19,120	1,046
Unrated	396,116	3,518	348
Individually impaired	-	-	5,365
Total	775,841	23,633	6,777
Debt investment securities at amortized cost			
Government Bonds, Sukuk and Treasury Bills	178,875	173	-
Investment grade	48,061	-	-
Non-investment grade	4,921	385	-
Unrated	16,023	1,139	2,133
Total	247,880	1,697	2,133
Debt investment securities at FVOCI			
Government Bonds, Sukuk and Treasury Bills	21,158	-	-
Investment grade	67,045	-	-
Non-investment grade	3,965	219	-
Unrated	1,569	-	-
Total	93,737	219	-
Cash and deposits with banks and other financial institutions			
- Non-banking operations			
Investment grade	193,914	-	-
Total	193,914	-	-
Commitment and contingencies ^(*)			
Investment grade	130,986	2,902	669
Non-investment grade	85,321	7,440	3,559
Unrated	25,976	30	2,289
Total	242,283	10,372	6,517

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

	<i>Gross Carrying amount</i>		
	<i>2024</i>		
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>
Due from banks and financial institutions			
Investment grade	114,187	-	-
Non-investment grade	6,875	-	-
Unrated	3,321	-	-
Total	124,383	-	-
Financing and advances			
Investment grade	151,880	648	18
Non-investment grade	166,220	18,100	610
Unrated	373,611	2,841	294
Individually impaired	-	-	7,923
Total	691,711	21,589	8,845
Debt investment securities at amortized cost			
Government Bonds, Sukuk and Treasury Bills	163,671	391	-
Investment grade	38,679	-	-
Non-investment grade	5,847	455	906
Unrated	22,700	-	1,593
Total	230,897	846	2,499
Debt investment securities at FVOCI			
Government Bonds, Sukuk and Treasury Bills	18,725	-	-
Investment grade	65,988	-	-
Non-investment grade	4,704	578	-
Unrated	2,901	-	-
Total	92,318	578	-
Cash and deposits with banks and other financial institutions			
- Non-banking operations			
Investment grade	183,843	-	-
Total	183,843	-	-
Commitment and contingencies (*)			
Investment grade	84,931	3,404	-
Non-investment grade	83,219	7,785	3,828
Unrated	43,041	107	1,311
Total	211,191	11,296	5,139

(*) Commitment and contingencies include financial guarantees, letters of credit, performance bonds, customer acceptances and undrawn loan and Murabaha commitments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

Segregation of ratings scale along with the PD range of financial assets disclosed above:

Type	Rating	Number of modifiers	2025 and 2024
Performing			
Investment grade	AAA to A-	1	0% to 0.12%
	BBB	3	0.12% to 0.35%
	BB	4	0.35% to 2.10%
Non-Investment grade	B	4	2.10% to 12%
	CCC	3	12% to 40%
	CC to C	1	40% to 99.99%
Non-performing	Default	1	100%

▪ Significant Increase in Credit Risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on stages of criteria.

i) Credit risk grades

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

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring of exposures involves use of the following data:

- *Corporate exposures*
 - 1) Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, and compliance with covenants, quality management, and senior management changes.
 - 2) Data from credit reference agencies, press articles, changes in external credit ratings.
 - 3) Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- *Retail exposures*

Internally collected data and customer behavior – e.g. utilization of credit card facilities.

- *All exposures*
 - 1) Payment record – this includes overdue status as well as a range of variables about payment ratios.
 - 2) Utilization of the granted limit
 - 3) Requests for and granting of forbearance.
 - 4) Existing and forecasted changes in business, financial and economic conditions.

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

ii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used. The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors including but not limited to GDP growth, benchmark interest rates and unemployment.

Based on inputs from the in-house economists and consideration of a variety of external actual and forecasted information, a 'base case' view is formulated of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios (see discussion below on incorporation of forward-looking information) which are used to adjust its estimates of PDs.

iii) Determining whether credit risk has increased significantly

The criteria for determining whether there is a significant increase in credit risk (SICR) since initial recognition, include quantitative changes in PDs and various qualitative factors, including a backstop based on delinquency.

Moreover, information about collaterals or other credit enhancements is considered in assessing changes in credit risk, as well as the impact of the changes in nature, type and value of such collaterals, on the ability and/or economic incentive of a borrower to repay. As such, where available and applicable, these factors have been considered.

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

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iv) Modified financial assets

The contractual terms of financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances initially at fair value in accordance with the accounting policy in note 3.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the staging criteria.

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

▪ **Significant Increase in Credit Risk (SICR) (continued)**

iv) Modified financial assets (continued)

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

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

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

v) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations including principal instalments, interest payments and fees.
- The obligor is unlikely to pay its credit obligations in full, without recourse to actions such as realizing security (if any).

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

vi) Incorporation of forward-looking information

Forward-looking information are incorporated into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the in-house economists and consideration of a variety of external actual and forecasted information, the Group formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the GCC and selected private sector and academic forecasters.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data. Moreover, a sensitivity analysis has been conducted on the macro-economic impact in order to assess the change in ECL.

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)**39.1 Credit risk (continued)***(c) Credit risk management (continued)*▪ **Significant Increase in Credit Risk (SICR) (continued)***vii) Measurement of ECL*

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

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing and advances secured by retail property, Lending to Value (LTV) ratios are a key parameter in determining LGD.

EAD represents the expected exposure in the event of a default. The EAD is derived from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

ECL is measured considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, a longer period is considered. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a financing and advances commitment or guarantee.

However, for overdrafts and credit card facilities that include both financing and advances and an undrawn commitment component, ECL is measured over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit their exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL.

▪ **Collateral**

The Group uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The Group ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of collateral acceptable, include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The market value of collaterals is monitored, and additional collaterals are requested in accordance with the underlying agreements. Whenever possible, finances are secured by acceptable forms of collateral in order to mitigate credit risk. The Group's policy within banking operations is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

(c) Credit risk management (continued)

▪ Collateral (continued)

Collateral, unless repossessed, is not recorded on the consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

▪ Trade receivables

Sales are made to customers on mutually agreed terms. The management of each subsidiary is responsible for determining the creditworthiness, credit exposure and credit ratings of the customers.

The table below includes the credit risk analysis for trade receivables and contract assets:

	2025					
	Not past due	Less than 3 months	3 to 6 months	7 to 12 months	More than 12 months	Total
Trade receivables, gross	22,123	16,368	7,885	13,262	32,709	92,347
Contract assets, gross	15,438	14,141	5,141	5,924	3,794	44,438
Loss allowance	(739)	(718)	(526)	(1,143)	(7,223)	(10,349)

	2024					
	Not past due	Less than 3 months	3 to 6 months	7 to 12 months	More than 12 months	Total
Trade receivables, gross	17,693	17,363	7,587	10,391	24,559	77,593
Contract assets, gross	15,166	7,999	2,217	2,327	4,355	32,064
Loss allowance	(525)	(723)	(536)	(1,269)	(4,573)	(7,626)

39.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings, lease liabilities and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. The Group's exposure to liquidity risk is monitored on an ongoing basis by the management. The Group manages its liquidity by:

- Setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- Monitoring future cash flows to ensure that liquidity requirements can be met;
- Maintaining a portfolio of assets that can be easily liquidated; and
- Maintaining adequate cash reserves and banking facilities.

Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. Repayments which are subject to notice are treated as if notice were to be given immediately.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

The following are the maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date:

	2025					Total
	On demand	Less than 3 months	3-12 months	1-5 year	Over 5 years	
Financial liabilities						
Customer deposits	548,116	78,085	79,479	60,475	-	766,155
Loans and borrowings	817	148,806	140,776	332,272	235,095	857,766
Trade and other payables	5,810	52,003	159,528	42,599	1,958	261,898
Lease liabilities	185	243	3,420	7,922	12,818	24,588
Derivative financial instruments (gross amounts payable)	-	15,489	12,463	8,835	6,817	43,604
Total	554,928	294,626	395,666	452,103	256,688	1,954,011
Financial guarantees	147,470	-	-	-	-	147,470
Undrawn loan commitments	-	17,253	3,410	28,934	20,691	70,288
	2024					Total
	On demand	Less than 3 months	3-12 months	1-5 year	Over 5 years	
Financial liabilities						
Customer deposits	482,103	129,191	39,882	20,989	-	672,165
Loans and borrowings	2,145	207,284	75,785	180,536	127,363	593,113
Trade and other payables	5,878	34,168	129,363	15,877	2,118	187,404
Lease liabilities	59	328	5,729	6,144	6,148	18,408
Derivative financial instruments (gross amounts payable)	-	13,017	10,182	7,717	9,245	40,161
Total	490,185	383,988	260,941	231,263	144,874	1,511,251
Financial guarantees	122,966	-	-	-	-	122,966
Undrawn loan commitments	-	15,226	3,964	18,925	23,747	61,862

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Group, even in adverse conditions. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available.

The Group's subsidiaries in banking and financing operations are required to comply with requirements as stipulated by its local banking regulator, including applicable Basel liquidity ratios, minimum statutory deposit, minimum average demand deposits and certain minimum liquid reserves, in the form of cash, highly liquid Government bonds or assets which can be easily converted into cash.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. Market risk comprises of foreign exchange risk, interest rate risk, and price risks (commodity and equity).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

(a) Market risk: Banking operations

The Group's subsidiaries in banking operations separate their exposure to market risk between trading and banking books. Trading book includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested to the Board of Directors of the respective subsidiaries. The Risk Group is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

▪ **Market risk – trading book**

The principal tool used to measure and control market risk exposure within the trading book is Value at Risk (VaR). The VaR of a trading position is the estimated loss that will arise on the position over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used is based upon a 99 percent confidence level and assumes a 1-day holding period, except for FVTPL investments which are computed over a 3-month holding period (i.e., VaR is measured daily, except for VaR on FVTPL investments which are computed on a monthly basis), to facilitate the comparison with the trading income (loss) which is also computed and reported on a daily basis. The model computes volatility and correlations using relevant historical market data.

VaR limits are used for total market risk embedded in trading activities including derivatives related to foreign exchange and interest rate. The overall structure of VaR limits is subject to review and approval by the Board of Directors. VaR limits are allocated to the trading book. The daily reports of utilization of VaR limits are submitted to the senior management. In addition, regular summaries about various risk measures are submitted to the Risk Committee. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, stress tests are used to model the financial impact of exceptional market scenarios on individual trading book and the Group's overall trading position.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

▪ Market risk – banking book

Market risk on banking book positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments.

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its consolidated financial position. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group manages exposure to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. This risk is managed by matching the re-pricing of assets and liabilities through risk management strategies.

<i>As at 31 December 2025</i>	<i>Within 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
Assets						
Financing and advances	249,842	197,721	168,394	183,416	120	799,493
Investment securities	43,889	27,841	79,895	166,186	33,994	351,805
Cash and deposits with banks and other financial institutions	87,748	8,835	552	-	63,297	160,432
Derivatives	11,481	12,120	664	1,925	3,381	29,571
Total financial assets	392,960	246,517	249,505	351,527	100,792	1,341,301
Liabilities						
Loans and borrowings	212,303	88,434	54,903	30,844	5,815	392,299
Customer deposits	335,083	34,572	4,931	2,991	356,814	734,391
Derivatives	11,057	11,703	305	1,832	2,824	27,721
Total financial liabilities	558,443	134,709	60,139	35,667	365,453	1,154,411
On-balance sheet gap	(165,483)	111,808	189,366	315,860	(264,661)	186,890
Cumulative interest rate sensitivity gap	(165,483)	(53,675)	135,691	451,551	186,890	

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

▪ Market risk – banking book (continued)

i) Interest rate risk (continued)

<i>As at 31 December 2024</i>	<i>Within 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
Assets						
Financing and advances	224,719	178,140	137,347	172,728	115	713,049
Investment securities	48,801	23,340	60,540	153,094	29,874	315,649
Cash and deposits with banks and other financial institutions	61,240	11,966	1,817	-	56,905	131,928
Derivatives	14,519	8,518	887	3,000	4,047	30,971
Total financial assets	349,279	221,964	200,591	328,822	90,941	1,191,597
Liabilities						
Loans and borrowings	231,811	45,310	39,530	16,357	467	333,475
Customer deposits	202,434	35,775	18,240	-	389,596	646,045
Derivatives	14,271	7,693	434	3,100	3,118	28,616
Total financial liabilities	448,516	88,778	58,204	19,457	393,181	1,008,136
On-balance sheet gap	(99,237)	133,186	142,387	309,365	(302,240)	183,461
Cumulative interest rate sensitivity gap	(99,237)	33,949	176,336	485,701	183,461	

Exposure to interest rate risk

The Group's fixed rate instruments carried at amortized cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings of variable interest rate. The Group enter into hedging instruments in order to hedge the interest rate risk.

The exposure of the Group's loans and borrowings to interest rate changes at the end of the reporting period are as follows:

	<i>2025</i>		
	<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Total</i>
Liabilities			
Loans and borrowings	129,284	263,015	392,299
	<i>2024</i>		
	<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Total</i>
Liabilities			
Loans and borrowings	92,934	240,541	333,475

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

▪ Market risk – banking book (continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Board set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

(b) Market risk: Non-banking operations

▪ Interest rate risk

The Group's trade receivables carried at amortized cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings of variable interest rate. Some of the Group's subsidiaries enter into hedging instruments in order to hedge the interest rate risk.

Instruments of variable interest rate expose the Group to interest rate risks on cash flows, while instruments of fixed rate expose the Group to the interest rate risk on fair value. The fixed income instruments are generally held until maturity, hence, the fair value risk arising from movement in interest rate is minimal.

The exposure of the Group's loans and borrowings to interest rate changes at the end of the reporting period are as follows:

Liabilities	2025		
	Fixed interest rate	Variable interest rate	Total
Bank borrowings	45,824	134,963	180,787
Loans from government and government related entities	5,637	14,107	19,744
Bonds and Sukuk payable	123,195	-	123,195
Convertible notes	6,007	72	6,079
Bank overdraft and others	211	2,940	3,151
Total	180,874	152,082	332,956
Liabilities	2024		
	Fixed interest rate	Variable interest rate	Total
Bank borrowings	17,357	111,349	128,706
Loans from government and government related entities	3,696	10,030	13,726
Bonds and Sukuk payable	82,534	3,411	85,945
Convertible notes	5,852	72	5,924
Bank overdraft and others	2,568	93	2,661
Total	112,007	124,955	236,962

The effect on the profit before tax for the year, at a change of 100 basis points in the interest rate with all other variables held constant for variable rate instruments will be ± ₪ 1,521 million (for the year ended 31 December 2024: ± ₪ 1,250 million).

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

- **Currency risk**

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

Currency	Long (short)	
	2025	2024
EUR	57,881	46,401
JPY	46,878	35,019
HKD	30,053	24,978
INR	21,213	20,433
Others	6,911	7,170

The table below indicates the extent to which the Group was exposed to currency risk on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, on the profit before tax and equity.

	2025		
	Change in variables	Effect on profit before tax	Effect on equity
EUR	± 10%	± 4,205	± 5,271
JPY	± 10%	± 78	± 5,098
HKD	± 10%	± 3,000	± 3,000
INR	± 10%	± 1,873	± 2,178
Others	± 10%	± 5,177	± 5,903

	2024		
	Change in variables	Effect on profit before tax	Effect on equity
EUR	± 10%	± 3,665	± 4,889
JPY	± 10%	± 3,502	± 3,502
HKD	± 10%	± 2,498	± 2,498
INR	± 10%	± 281	± 2,043
Others	± 10%	± 3,732	± 4,461

The Group's US Dollar based positions are not exposed to foreign currency risk as US Dollar is pegged to Saudi Arabian Riyal.

- **Commodity price risk**

The Group, through one of its subsidiaries, is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of the mineral products it produces.

The respective subsidiary makes sale of certain gold, by-products, and phosphate and aluminum products on a provisional pricing basis. The amount of revenue and receivable to be recognized will be estimated based on the forward market price of the commodity being sold.

The Group faces a risk that future adverse change in commodity prices would result in the reduction of receivable balance.

All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the respective subsidiary.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

▪ **Commodity price risk (continued)**

Commodity price exposure

The exposure of the Group's trade receivables balance to changes in commodity prices amounts to ₪ 5,334 million (2024: ₪ 5,289 million).

Physical commodity contracts

The Group enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognized and measured at cost when the transaction occur.

▪ **Equity price risk**

Equity price risk arises from the change in fair values of quoted equity investments measured at FVTPL and FVOCI at the reporting date. The Group manages this risk through diversification of investments in terms of geographical distribution.

Sensitivity of the equity price risk (including banking operations) is determined based on the following assumptions:

<i>Impact of changes in market prices on:</i>	<i>2025</i>		
	<i>Increase/decrease in price in %</i>	<i>Effect on profit or loss</i>	<i>Effect on OCI</i>
Equity instruments measured at FVTPL	± 10%	± 6,911	-
Equity instruments measured at FVOCI	± 10%	-	± 102,402
	<i>2024</i>		
<i>Impact of changes in market prices on:</i>	<i>Increase/decrease in price in %</i>	<i>Effect on profit or loss</i>	<i>Effect on OCI</i>
Equity instruments measured at FVTPL	± 10%	± 10,494	-
Equity instruments measured at FVOCI	± 10%	-	± 115,354

39.4 Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing.

A framework and methodology have been developed to identify and control the various operational risks. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout the Group's subsidiaries.

39.5 Capital management

The primary objective of the Fund's capital management is to maintain an optimal capital structure in order to manage the Owner and creditors' confidence and sustain the future development of the Fund's operation. The Fund manages its capital structure and adjust it in light of its mandate.

There were no changes to the Group's objectives, policies or procedures during the year ended 31 December 2025.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES

Below is the list of direct subsidiaries:

	<i>Industry Group</i>	<i>Ownership interest</i>	
		<i>31 December 2025</i>	<i>31 December 2024</i>
Listed Local Companies ^(a)			
Elm Company	Information Technology	67.00%	67.00%
Emaar The Economic City (EEC) ^(b)	Real Estate	55.55%	-
Saudi Real Estate Company (Al Akaria)	Real Estate	64.58%	64.58%
MBC Group	Communication Services	54.00%	-
Saudi Telecom Company (stc)	Telecommunications	62.00%	62.00%
Saudi National Bank (SNB)	Banking	37.24%	37.24%
Saudi Arabian Mining Company (Maaden)	Materials	63.78%	65.22%
Saudi Tadawul Group Holding Company (Tadawul)	Financials	60.00%	60.00%
Unlisted Local Companies			
Al-Balad Development Company	Real Estate	100.00%	100.00%
Al-Disah Real Estate Development Company	Real Estate	100.00%	100.00%
AlUla Development Company	Real Estate	100.00%	100.00%
AlUqair Area Development Company	Real Estate	100.00%	100.00%
Ardara Development Company	Real Estate	100.00%	100.00%
Aseer Investment Company ^(c)	Real Estate	-	100.00%
Boutique Hospitality Group	Real Estate	100.00%	100.00%
Central Arriyadh Development Company	Real Estate	100.00%	100.00%
Commercial Strip Development Company	Real Estate	100.00%	100.00%
Dan Company	Real Estate	100.00%	100.00%
Desert Resorts Development Company	Real Estate	100.00%	100.00%
Destinations Development Company	Real Estate	100.00%	100.00%
Diplomatic Quarter Holding Company	Real Estate	100.00%	100.00%
Diriyah Company (formerly Diriyah Gate Limited Company)	Real Estate	100.00%	100.00%
Educational Infrastructure Holding Company	Real Estate	100.00%	100.00%
Global Ports and Logistics Company	Real Estate	100.00%	-
Gulf Coast Real Estate Development Company	Real Estate	100.00%	100.00%
Nature Reserves Development Company (formerly Hunting Reserves Development Company)	Real Estate	100.00%	100.00%

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

	Industry Group	Ownership interest	
		31 December 2025	31 December 2024
<i>Unlisted Local Companies (continued)</i>			
Jabal Al Shifa Development Company	Real Estate	100.00%	100.00%
Jeddah Central Development Company (JCDC)	Real Estate	100.00%	100.00%
King Abdullah Financial District Management & Development Company (KAFFD)	Real Estate	100.00%	100.00%
National Real Estate Registration Services Company	Real Estate	100.00%	100.00%
Neom Company	Real Estate	100.00%	100.00%
New Murabba Development Company	Real Estate	100.00%	100.00%
Oil Park Development Company (The Rig)	Real Estate	100.00%	100.00%
Qiddiya Investment Company	Real Estate	100.00%	100.00%
EXPO 2030 Riyadh Company (formerly Riyadh Expo Development Company)	Real Estate	100.00%	100.00%
Riyadh Investment and Development Company (RIDC)	Real Estate	100.00%	100.00%
Riyadh Lake Real Estate Development Company	Real Estate	100.00%	100.00%
Roshn Group Company	Real Estate	100.00%	100.00%
Rua Al Madina Holding Company	Real Estate	100.00%	100.00%
Rua Alharam Almakki	Real Estate	100.00%	100.00%
Salwan Tourism Real Estate Development Company	Real Estate	100.00%	100.00%
Saudi Downtown Company	Real Estate	100.00%	100.00%
Saudi Facility Management Company	Real Estate	100.00%	100.00%
Smart Accommodation for Residential Complexes	Real Estate	100.00%	100.00%
Smart Marinas Company for Development & Management	Real Estate	100.00%	100.00%
Soudah Development Company	Real Estate	100.00%	100.00%
Tadawul Real Estate Company (TREC)	Real Estate	53.31%	53.31%
The Red Sea Global Company	Real Estate	100.00%	100.00%
The Saudi Fifth Investment Company	Real Estate	100.00%	100.00%
The Saudi Third Investment Company	Real Estate	100.00%	100.00%
Tower District Real Estate Development Company	Real Estate	100.00%	100.00%
Aircraft Leasing Company (Avilease)	Industrials	100.00%	100.00%
Aviation Services Company Limited (Riyadh Air)	Industrials	100.00%	100.00%
Tasama Business Services (formerly Business Incubators and Accelerators Company (BIAC))	Industrials	100.00%	100.00%

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

Unlisted Local Companies (continued)

	<i>Industry Group</i>	<i>Ownership interest</i>	
		<i>31 December 2025</i>	<i>31 December 2024</i>
Folk Maritime Services Company	Industrials	100.00%	100.00%
King Salman International Airport Development Company	Industrials	100.00%	100.00%
National Security Services Company (SAFE)	Industrials	100.00%	100.00%
National Space Company (Neo Space Group)	Industrials	100.00%	100.00%
POSCO E&C Saudi Arabia Company (PECSA)	Industrials	60.00%	60.00%
Saudi Arabian Military Industries Company (SAMI)	Industrials	100.00%	100.00%
Saudi Company for Aircraft Modification and Maintenance (GDC Middle East)	Industrials	80.00%	80.00%
Saudi Development and Technology Investment Company (TAQNIA)	Industrials	100.00%	100.00%
Saudi Investment Recycling Company (SIRC)	Industrials	100.00%	100.00%
Saudi Railway Company (SAR)	Industrials	100.00%	100.00%
The Cavalcade Investment Company	Industrials	100.00%	100.00%
The Helicopter and Jet Company	Industrials	100.00%	100.00%
The Saudi Asian Investment Company	Industrials	100.00%	100.00%
The Saudi First Investment Company	Industrials	100.00%	100.00%
Energy Solutions Company	Utilities	100.00%	100.00%
National Energy Services Company (Tarshid)	Utilities	100.00%	100.00%
Renewable Energy Localization Company	Utilities	100.00%	100.00%
Water & Electricity Holding Company (Badeel)	Utilities	100.00%	100.00%
Water Solutions Company	Utilities	100.00%	100.00%
Industrialization & Energy Services Company (Taqa)	Energy	54.00%	54.00%
Manara Minerals Investment Company	Materials	81.59%	82.33%
Al Waha Duty Free Company	Consumer Discretionary	100.00%	100.00%
Ayar Third Investment Company	Consumer Discretionary	100.00%	100.00%
Ceer National Automotive Company	Consumer Discretionary	91.80%	91.80%
Edutainment Company	Consumer Discretionary	100.00%	100.00%
Adeera Hospitality (formerly Hotel Management Company)	Consumer Discretionary	100.00%	100.00%
Hyundai Motor Manufacturing Middle East	Consumer Discretionary	70.00%	70.00%
Kayanee Company	Consumer Discretionary	100.00%	100.00%

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

Unlisted Local Companies (continued)

	Industry Group	Ownership interest	
		31 December 2025	31 December 2024
National Automotive & Mobility Investment Company (TASARU)	Consumer Discretionary	100.00%	100.00%
National Interactive Entertainment Company (Qsas)	Consumer Discretionary	100.00%	100.00%
Red Sea Cruise Company (RSCC)	Consumer Discretionary	100.00%	100.00%
Saudi Hospitality Company	Consumer Discretionary	100.00%	100.00%
Saudi Tourism Investment Company (Asfar)	Consumer Discretionary	100.00%	100.00%
Sela Company	Consumer Discretionary	94.35%	94.35%
Sports Investment Company (SRJ)	Consumer Discretionary	100.00%	100.00%
The Saudi International Investment Company	Consumer Discretionary	100.00%	100.00%
About First Investment Company	Consumer Staples	100.00%	100.00%
Milaf Global Food Company (formerly AlMadinah Heritage Company)	Consumer Staples	100.00%	100.00%
Halal Products Development Company (Halal)	Consumer Staples	100.00%	100.00%
Saudi Agricultural & Livestock Investment Company (SALIC)	Consumer Staples	100.00%	100.00%
SAWANI Company	Consumer Staples	100.00%	100.00%
The Saudi Company for Gulf Food Investments	Consumer Staples	100.00%	100.00%
The Saudi Coffee Company	Consumer Staples	100.00%	100.00%
Bada'e'l Company	Health Care	100.00%	100.00%
Pharmaceutical Investment Company (Lifera)	Health Care	100.00%	100.00%
National Unified Procurement Company for Medical Supplies (Nupco)	Health Care	100.00%	100.00%
ALAT Technologies Company	Information Technology	100.00%	100.00%
Digital Media Investment Company	Information Technology	100.00%	100.00%
Future Artificial Intelligence Company (Humain)	Information Technology	100.00%	100.00%
Lean Company for Business Services	Information Technology	100.00%	100.00%
Saudi Company for Artificial Intelligence (SCAI) ^(c)	Information Technology	-	100.00%
Saudi Second Technology Investment Company	Information Technology	100.00%	100.00%
Saudi Technology Investment Company	Information Technology	100.00%	100.00%
Saudi Third Technology Investment Company	Information Technology	100.00%	100.00%
Tahakom Investment Company (Tahakom)	Information Technology	100.00%	100.00%
The Saudi Fifth Technology Investment Company	Information Technology	100.00%	100.00%

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

Unlisted Local Companies (continued)

The Saudi Fourth Technology Investment Company

Thiqah Business Services Company ^(d)

Vision Technology Investment Company

Ayar First Investments Company ^(c)

Digital Infrastructure Investment Company (DIIC)

Telecommunication Towers Company Limited (Tawal) ^(c)

Al-Ahli Club Company

Al-Hilal Club Company

Al-Ittihad Club Company

Al-Nassr Club Company

MBC Game Studio Limited ^(e)

The Saudi Electronic Gaming Holding Company (Savvy)

Ayar International Investment Company

Fund of Funds Company (Jada)

Regional Voluntary Carbon Market Company

Saudi Arabian Investment Company (Sanabil)

Saudi Real Estate Refinance Company (SRC)

Tawrid Company for Financing Solutions

The Saudi Bahraini Investment Company

The Saudi Egyptian Investment Company

The Saudi Iraqi Investment Company

The Saudi Jordanian Investment Company

The Saudi Omani Investment Company

The Saudi Sudanese Investment Company

Alrahala First Investment Company

Brand Company

Bridge First Investment Company

Center for Governance Company

	Industry Group	Ownership interest	
		31 December 2025	31 December 2024
	Information Technology	100.00%	100.00%
	Information Technology	-	100.00%
	Information Technology	100.00%	100.00%
	Communication Services	-	100.00%
	Communication Services	81.13%	79.15%
	Communication Services	-	81.46%
	Media and Entertainment	75.00%	75.00%
	Media and Entertainment	75.00%	75.00%
	Media and Entertainment	75.00%	75.00%
	Media and Entertainment	75.00%	75.00%
	Media and Entertainment	67.80%	-
	Media and Entertainment	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	92.00%	92.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Financials	100.00%	100.00%
	Other Industries	100.00%	100.00%
	Other Industries	-	100.00%
	Other Industries	100.00%	100.00%
	Other Industries	100.00%	100.00%

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

	Industry Group	Ownership interest	
		31 December 2025	31 December 2024
<i>Unlisted Local Companies (continued)</i>			
Numo Eighth International Investments Company	Other Industries	100.00%	100.00%
Numo Ninth International Investments Company	Other Industries	100.00%	100.00%
Numo Seventh International Investments Company	Other Industries	100.00%	100.00%
Numo Tenth International Investments Company	Other Industries	100.00%	100.00%
Perch Company	Other Industries	100.00%	-
The Multiple Assets Investment Company	Other Industries	100.00%	100.00%
The Road Plans Development Company	Other Industries	100.00%	100.00%
The Saudi Fourth Investment Company ^(c)	Other Industries	-	100.00%
The Saudi Second Investment Company	Other Industries	100.00%	100.00%
The Saudi Seventh Investment Company	Other Industries	100.00%	100.00%
The Saudi Sixth Investment Company	Other Industries	100.00%	100.00%
The Saudi United Investment Company	Other Industries	100.00%	100.00%
The Second Multiple Assets Investment Company	Other Industries	100.00%	100.00%
<i>Foreign Companies</i>			
Gulf International Bank (GIB) B.S.C. – Kingdom of Bahrain	Banking	97.23%	97.23%
59 CVT LLC– United States of America	Real Estate	100.00%	100.00%
Prisa III Feeder-A LLC – United States of America	Real Estate	100.00%	100.00%
SBDE Fifth Investment Company LLC – United States of America	Real Estate	100.00%	100.00%
SBDE First Investment Company LLC – United States of America	Real Estate	100.00%	100.00%
SBDE Fourth Investment Company LLC – United States of America	Real Estate	100.00%	100.00%
SBDE Second Investment Company LLC – United States of America	Real Estate	100.00%	100.00%
SBDE Third Investment Company LLC – United States of America	Real Estate	100.00%	100.00%
SBDE Sixth Investment Company LLC- United States of America	Real Estate	100.00%	100.00%
JACI First Investment Company – Cayman Islands	Communication Services	100.00%	100.00%
BOFR Investment Company SARL – Grand Duchy of Luxembourg	Consumer Discretionary	100.00%	100.00%
PAUK Investment Limited – United Kingdom	Consumer Discretionary	100.00%	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million \$ unless otherwise stated)

40. LIST OF SUBSIDIARIES (continued)

- (a) The ownership percentage for the listed companies are computed using the PIF owned shares over the issued shares. For the purpose of these consolidated financial statements, effective ownership percentage is used.
- (b) Emaar The Economic City (EEC) was reclassified from an associate to a subsidiary during the year.
- (c) The ownership was transferred from the Fund to one of its subsidiaries.
- (d) The ownership of Thiqah Business Services Company was sold to one of the Fund's subsidiaries.
- (e) MBC Game Studio Limited was reclassified from a joint venture to a subsidiary during the year.

41. BUSINESS COMBINATION



Material accounting policies that apply to business combination

Business combinations are accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contributes to the ability to create outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statement of profit or loss as general and administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and the fair value at the acquisition-date of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

41. BUSINESS COMBINATION (continued)

During the year, the Group entered into the following major business combinations for which the Group has applied the acquisition method under IFRS 3. As at 31 December 2025, the Group has not yet finalized the Purchase Price Allocation (PPA) for these investments which will be finalized within the measurement period, not exceeding 12 months from the acquisition date.

	Niantic, Inc (a)	MBC Group (b)
Fair value of the group's share in net assets	3,002	2,465
Fair value of purchase consideration	12,836	7,469
Goodwill recognized	9,834	5,004
Cash and cash equivalents acquired	495	1,142
Consideration transferred	12,451	7,469
Net cash outflow on acquisition	11,956	6,327

(a) Niantic, Inc

During 2025, the Group, through one of its subsidiaries in gaming industry, acquired 100% ownership of Niantic, Inc ("Niantic") via a Share Purchase Agreement. Niantic is engaged in mobile gaming industry.

(b) MBC Group

During 2025, the Group acquired 54% ownership of MBC Group via a private agreement. MBC Group is principally engaged in providing broadcasting services, operating free-to-air Pan-Arab entertainment channels and content production.

42. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group considers its investment in SoftBank Vision Fund L.P (the "SoftBank Fund") to be investment in unconsolidated structured entity.

The SoftBank Fund is managed by unrelated investment manager i.e. Fund Manager and apply various investment strategies to accomplish the investment objectives. The SoftBank Fund finances its operations by offering a limited partnership which entitles the holder to a proportional stake in its net assets. The Group holds limited partnership interest in the SoftBank Fund.

In reaching this conclusion, following are some of the key factors identified as part of the Group's investment in the SoftBank Fund:

- the Group is the limited partner;
- the General Partner has the right to make and amend the financial and operating policies; and
- limited or no right of the Group to remove general partner from the position of SoftBank Fund Manager.

The table below summarizes the structured entities the Group has interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
Limited Partnership	Manage Limited Partners' funds through the investment in assets	To provide Limited Partners with a return by means of medium to long-term capital growth	Investment in units issued by the SoftBank Fund

The table below presents the Group's interests in and maximum exposure to loss from the Group's interest in unconsolidated structured entities as at:

Classification in consolidated financial statements	Amount		Maximum exposure to loss	
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
Investment securities	63,733	69,234	63,733	69,234

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

42. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

During the year, interest income amounting to ₪ 856 million (2024: ₪ 2,040 million) was earned from investment securities measured at amortized cost and net gain of ₪ 7,816 million (2024: net gain of ₪ 4,604 million) was recognized from investment securities measured at FVTPL.

The Group's total investment commitments include ₪ 21,374 million (2024: ₪ 21,374 million) for SoftBank Fund. Following the end of the investment period, undrawn commitments can only be called for the specific matters in accordance with the partnership agreement.

43. FAIR VALUES

The fair value of the financial assets and liabilities is reported at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

43.1 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as described in note 3.

(a) Assets measured at fair value on a recurring basis

	2025			Total
	Level 1	Level 2	Level 3	
i) Derivative financial assets				
Derivatives held for trading	93	28,423	-	28,516
Derivatives held for hedges	-	1,884	2	1,886
	<u>93</u>	<u>30,307</u>	<u>2</u>	<u>30,402</u>
ii) Financial assets measured at fair value through profit or loss				
Equities	69,120	493	56,942	126,555
Fixed rate debt securities	1,336	2,219	17,589	21,144
Floating rates securities	-	8,067	4,323	12,390
Mutual funds and hedge funds	29,929	117,914	380,975	528,818
	<u>100,385</u>	<u>128,693</u>	<u>459,829</u>	<u>688,907</u>
iii) Financial instruments at fair value through OCI				
Equities	1,024,567	62,777	40,694	1,128,038
Fixed rate debt securities	73,415	4,211	-	77,626
Floating rate debt securities	7,153	8,811	366	16,330
	<u>1,105,135</u>	<u>75,799</u>	<u>41,060</u>	<u>1,221,994</u>
iv) Trade receivables carried at fair value	-	2,449	-	2,449
v) Other financial assets	-	-	-	-
Total assets measured at fair value on a recurring basis	<u>1,205,613</u>	<u>237,248</u>	<u>500,891</u>	<u>1,943,752</u>
	2024			
	Level 1	Level 2	Level 3	Total
i) Derivative financial assets				
Derivatives held for trading	2,729	34,328	-	37,057
Derivatives held for hedges	-	2,138	217	2,355
	<u>2,729</u>	<u>36,466</u>	<u>217</u>	<u>39,412</u>
ii) Financial assets measured at fair value through profit or loss				
Equities	105,269	272	44,505	150,046
Fixed rate debt securities	1,311	1,481	11,917	14,709
Floating rates securities	173	-	164	337
Mutual funds and hedge funds	13,595	131,521	327,983	473,099
	<u>120,348</u>	<u>133,274</u>	<u>384,569</u>	<u>638,191</u>

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

43. FAIR VALUES (continued)

43.1 Fair value hierarchy (continued)

(a) Assets measured at fair value on a recurring basis (continued)

	2024			Total
	Level 1	Level 2	Level 3	
iii) Financial instruments at fair value through OCI				
Equities	1,153,544	312	46,756	1,200,612
Fixed rate debt securities	68,463	8,147	-	76,610
Floating rate debt securities	7,948	8,338	-	16,286
	<u>1,229,955</u>	<u>16,797</u>	<u>46,756</u>	<u>1,293,508</u>
iv) Trade receivables carried at fair value	<u>-</u>	<u>3,241</u>	<u>-</u>	<u>3,241</u>
v) Other financial assets	<u>123</u>	<u>872</u>	<u>-</u>	<u>995</u>
Total assets measured at fair value on a recurring basis	<u>1,353,155</u>	<u>190,650</u>	<u>431,542</u>	<u>1,975,347</u>

(b) Liabilities measured at fair value on a recurring basis

	2025			Total
	Level 1	Level 2	Level 3	
i) Derivative financial liabilities				
Derivatives held for trading	100	26,721	48	26,869
Derivatives held for hedges	-	1,738	64	1,802
Derivatives – Total	<u>100</u>	<u>28,459</u>	<u>112</u>	<u>28,671</u>
ii) Other liabilities (NCI put options)	<u>-</u>	<u>6,079</u>	<u>228</u>	<u>6,307</u>
Total liabilities measured at fair value on a recurring basis	<u>100</u>	<u>34,538</u>	<u>340</u>	<u>34,978</u>

	2024			Total
	Level 1	Level 2	Level 3	
i) Derivative financial liabilities				
Derivatives held for trading	21	27,649	117	27,787
Derivatives held for hedges	-	980	-	980
Derivatives – Total	<u>21</u>	<u>28,629</u>	<u>117</u>	<u>28,767</u>
ii) Other liabilities (NCI put options)	<u>-</u>	<u>5,924</u>	<u>106</u>	<u>6,030</u>
Total liabilities measured at fair value on a recurring basis	<u>21</u>	<u>34,553</u>	<u>223</u>	<u>34,797</u>

For those other assets and liabilities for which fair value is disclosed, please refer to the respective notes for fair value information. There have been no transfers between Level 1 and Level 2 during the year.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

43. FAIR VALUES (continued)

43.2 Reconciliation of opening and closing amounts of financial instruments classified within level 3

Description	2025		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial liabilities at fair value
	(Assets)	(Assets)	(Liabilities)
As at 1 January	384,569	46,756	223
Purchase	67,399	5,581	30
Sales	(37,992)	(618)	-
Other movement	(1,808)	47	(216)
Total gain or losses:			
In statement of profit or loss	46,172	-	284
In Other comprehensive income	-	3,887	-
Exchange rate differences and other movement	1,489	(14,593)	19
As at 31 December	459,829	41,060	340
Description	2024		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial liabilities at fair value
	(Assets)	(Assets)	(Liabilities)
As at 1 January	320,156	38,771	626
Purchase	57,812	11,195	44
Sales	(17,969)	-	(352)
Other movement	(4,254)	(3,126)	373
Total gain or losses:			
In statement of profit or loss	27,256	-	(423)
In Other comprehensive income	-	(322)	-
Exchange rate differences and other movement	1,568	238	(45)
As at 31 December	384,569	46,756	223

43.3 Method and assumptions used

(a) Bonds and Sukuk

The fair value of bonds and Sukuk is estimated using discounted cash flow techniques, applying the rates that are offered for bonds and Sukuk of similar ratings, maturities and terms.

(b) Unquoted equities

The Group has used commonly used valuation approaches including income, market, cost and adjusted net asset value approach to determine the fair value of unlisted equities.

Income approach is used for companies with ongoing business operations and where approved prospective financial information is available. The discounted cash flow model is used to determine fair value based on income approach.

(All amounts in million ₪ unless otherwise stated)

43. FAIR VALUES (continued)

43.3 Method and assumptions used (continued)

(b) Unquoted equities (continued)

Market approach is considered when wide range of listed companies within the participating industry with same objective as unlisted equities are available or when valuation is undertaken using price of recent investment ("PORI") and applying any relevant and applicable discount for lack of marketability (DLOM). The Group considers various criteria to identify the comparable companies that include but not limited to similar industry, size and nature of operations.

Adjusted Net Asset Value approach (ANAV) is used when income or market approach cannot be applied. ANAV is based on the company's net book value (total assets and total liabilities) applying any relevant and applicable discount.

(c) Quoted equities

The fair values of the quoted equities are based on price quotations at the reporting date.

(d) Managed funds and similar securities

The fair values of the quoted managed funds are based on price quotations at the reporting date. The fair value of unquoted funds is estimated by using Net Assets Value (NAV) per share received from fund's administrators/investment managers. Fair values are based on either level 2 or level 3 of fair value hierarchy, where the mandate of the investment managers is to invest in quoted equities, those investment funds and investment securities are categorized as level 2, all others are categorized as level 3.

Significant unobservable inputs embedded in the models used by the fund managers/administrators include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

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

(e) Unquoted debt securities and derivative financial instruments

The fair value of unquoted debt securities and derivatives is estimated using discounted cash flow techniques, applying the rates that are offered for debt securities of similar maturities and terms. The value of complex securities such as convertible notes is estimated using binominal option pricing models that are linked to the fair value of the underlying asset. Fair value of all these assets are valued based on level 2 of fair value hierarchy where inputs are observable. For instruments where inputs are not observable, these are classified under level 3.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

43. FAIR VALUES (continued)

43.3 Method and assumptions used (continued)

(e) Unquoted debt securities and derivative financial instruments (continued)

Below is the inter-relationship between significant unobservable inputs and fair value measurement:

Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Total Weighted Average Cost Capital (WACC) or Cost of Equity (COE) or Discount rate	The estimated fair value would decrease if the discount rate was higher, and vice versa
Long-Term Growth Rate %	The estimated fair value would increase if the Long-Term Growth Rate was higher, and vice versa
Exit Multiple	A higher Exit Multiple would have a positive effect on the Fair Value, and vice versa
Enterprise Value (EV) over Revenue multiple	A higher EV/Revenue multiple would have a positive effect on the Fair Value, and vice versa
Last Twelve Month (LTM) EV over Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	A higher EV/EBITDA multiple would have a positive effect on the Fair Value, and vice versa
EV/Normalized EBITDA	A higher EV/Normalized EBITDA multiple would have a positive effect on the Fair Value, and vice versa
EV/EBITDA	A higher EV/EBITDA multiple would have a positive effect on the Fair Value, and vice versa
Net assets value	Higher the reported NAV in the latest financial statements the higher the fair value, and vice versa
DLOM	The estimated fair value would decrease if the DLOM was higher, and vice versa
Volatility	The higher the price volatility of the underlying asset, the higher the option premium, and vice versa
Credit spread	The higher the credit spread, the lower the value, and vice versa
Adopted Sales Rate	Valuation exhibits a positive correlation with the adopted sales rate.

Public Investment Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million ₪ unless otherwise stated)

43. FAIR VALUES (continued)

43.4 Significant un-observable inputs in level 3 instrument valuations

Financial instrument	Valuation technique	Unobservable input	Range (weighted average)	
			as at	
			31 December 2025	31 December 2024
		Total WACC/COE	9.5% - 15.0%	9.8% - 20.0%
	Income approach	Exit Multiple	0.6x-24.0x	3.6x - 4.0x
		Long term growth rate	Not applicable	2.0% - 5.5%
		EV/Revenue		9.0x - 10.6x
Unquoted equities	Market approach		2.5x - 6.6x	
		EV/EBITDA	12.0x	2.0x - 12.5x
	Adjustments	DLOM	15.0%	5.0% - 16.7%
Managed funds and similar securities	Net assets value	Underlying valuations performed by the investment manager	n/a	n/a
		Income Approach	Total WACC/COE	9.0% - 11.0%
Convertible notes	Binominal option pricing model	Price volatility of the underlying asset	27.00%-75.00%	22.00%-33.54%
	Monte Carlo/Backward PDE model	Credit Spread	110-840 bps	20.00 - 777.36 bps
Investment properties	Market approach	Adopted Sales Rate	2-289,335 SAR/sqm	2 - 327,037 SAR/sqm
	Discounted cash flows	Discount rate	3.5% to 17.0%	7.0% - 16.0%

Significant unobservable inputs were applied in the valuation of debt securities and unquoted equities and the impact of the sensitivity is not material.

Significant unobservable inputs in the valuation of managed funds embedded in the models used by the fund managers include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For other financial instruments such as cash and deposits with banks and other financial institutions, trade receivables, other assets, and trade and other payables, the fair values approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits, bonds and Sukuk, loans and borrowings and debt securities issued are not materially different from their respective carrying values included in the consolidated financial statements, since the current market interest rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions.

The fair value of Group's financing and advances on a business as usual basis applying the guidance of IFRS 13 was approximately 0.9% lower than (2024: 1.4% lower than) the corresponding carrying value. The fair value of Group's financing and advances is categorized within Level 3 of the fair value hierarchy and the fair value of the investments at amortized cost are categorized within Level 2.

43. FAIR VALUES (continued)

43.4 Significant un-observable inputs in level 3 instrument valuations (continued)

The fair value of the investment properties is determined based on a market approach (comparable land sales) and an income approach (discounted cash flow or residual value analysis based on a development masterplan or land subdivision).

The market value of the investment properties is assessed and reported in accordance with the International Valuation Standards (IVS) as published by the International Valuation Standards Council (IVSC). The valuation of individual holdings is based on the specific circumstances and facts pertaining to the property and utilizes a market approach (comparable lands sales) and/or an income approach (residual land value approach).

Special assumptions were considered in the valuation of certain lands. These special assumptions include: (1) the sites are above sea level, (2) properties are clear, vacant undeveloped land, (3) portion of land is a lake which will be deducted from the overall area of the property, and (4) the properties are not subject to the restrictions imposed by the Government and thus could be sold in the open market.

There were no transfers between level 2 and level 3 during 2025 and 2024.

Market approach

The market approach derives the value of the Property by comparing it to other properties for which the price is known. Ideally, the property is compared and contrasted to identical properties which have recently been sold, or where no recent transactions have taken place, the asking (quoting) price at which the comparable properties, in proximity to the asset being valued are currently listed for sale. Adjustments may be required to reflect the period of time that has passed between the transaction date and the date of valuation or the price that is expected to be achieved following a negotiated sale. Following an analysis on the terms of the sale, an appropriate unit of comparison is chosen, for example, a rate per square meter of land/buildings. Further subsequent adjustments may be required to factor in differences in location, size (quantum), quality and specification, condition, permitted use, etc. and any instructions received which are specific to the assignment. Additional sources may be used such as Ministry of Justice data, General Authority for Statistics Index, etc.

Income approach (residual method)

The residual valuation method may be based on either a static model or discounted cash flow approach. In each instance, this method entails estimating the gross realization from the sale of the proposed development, which may be carried out using the comparable or investment or profits methods. From this is deducted the current estimated cost to develop the project including a developer's margin to arrive at a resultant residual value. In summary, the valuation approach is: gross development value minus [outstanding development costs and developers margin] equals residual value.

The residual cash flow approach takes into account the time value of money concept where future cash flows are discounted at a market-based target rate of return that takes into account the risk factors for each asset. The residual method is very sensitive and even a minor change in the inputs can have a significant impact on the reported value.

In some instances, due to the size of land assets and lack of comparable evidence, the residual method of valuation is preferred on the basis of a hypothetical sub-division and sale of serviced smaller plots over a period of time based on comparable evidence.

44. NEW OR AMENDED STANDARDS

A number of new accounting standards or amendments are effective for annual reporting periods beginning after 1 January 2025 and earlier application is permitted. However, the Group has opted not to early adopt the following new or amended accounting standards in preparing these financial statements. These new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statement, unless stated below otherwise.

- Amendment to IFRS 9 & IFRS 7- classification and measurement of financial instruments
- Annual improvements to IFRS accounting standards – Volume 11
- Amendments to IAS 28 and IFRS 10: Sale or contribution of assets between an investor and its associate or joint venture
- IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements. IFRS 18 introduces new requirements that will change the structure of the statement of profit or loss by including specified totals and subtotals, while carrying forward many of the IAS 1 requirements. In addition, the standard also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. Furthermore, the standard also require to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method. The Group is currently assessing the impact of the adoption of IFRS 18 and will apply the standard from its mandatory adoption date of 1 January 2027.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to either to conform to the current year's classification or for better presentation of the consolidated financial statements with no change to the total assets and total equity as at 31 December 2024 nor the profit for the year ended 31 December 2024.

46. SUBSEQUENT EVENTS

The following are the significant events which occurred subsequent to 31 December 2025:

- (a) The Fund, through its subsidiaries, has completed issuance of Sukuk and bonds as below:
 - Issuance of sukuk with an aggregate amount of ₪ 7,500 million (USD 2,000 million).
 - Issuance of bonds with an aggregate amount of ₪ 26,250 million (USD 7,000 million).
- (b) Saudi Telecom Company (stc), a subsidiary of the Group, has completed issuance of sukuk with an aggregate amount of ₪ 7,500 million (USD 2,000 million).
- (c) Saudi Arabian Mining Company (Maaden), a subsidiary of the Group, has completed issuance of sukuk with an aggregate amount of ₪ 3,750 million (USD 1,000 million).
- (d) The Group has completed the increase in ownership stake in Olam Agri Holdings Limited from 35.4% to 80.01% for ₪ 6,281 million (USD 1,675 million).
- (e) The Group has signed an agreement to acquire 100% of Shanghai Mutong Technology Limited (Moonton), which is subject to regulatory and other approvals prior to closing.
- (f) Following the reporting date, the Fund announced PIF's 2026-2030 strategy, which is a continuation of PIF's long-term strategy. PIF's 2026-2030 strategy has no impact on the financial results or balances recognized as of 31 December 2025.

46. SUBSEQUENT EVENTS (continued)

- (g) The Fund continues to monitor the regional geopolitical developments and their potential impact on Kingdom of Saudi Arabia and the Middle East. While the situation remains evolving, the Group maintains a robust operational framework to manage associated risks. These developments have been assessed as a non-adjusting event and no adjustments have been made to the consolidated financial statements as at reporting date, however, given the evolving nature of the developments, the potential long-term impact on the Group's business will continue to be assessed in future reporting periods.