



Strategic Progress.
Record Results.
Strong Performance.

Annual
Report
2022

Riyad Bank Annual Report 2022

This Annual Report describes the performance and achievements of Riyadh Bank in 2022, including the Bank's main business segments and supporting functions, such as technology, human resources and corporate governance, as well as its commitment and activities related to corporate sustainability and ESG.

Report Boundary

The Report covers the activities of Riyadh Bank unless otherwise stated. The boundary for financial reporting includes Riyadh Bank and its subsidiaries.

Queries

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Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

Reporting Period

The report covers the period from 1 January to 31 December, 2022 and is consistent with our usual annual reporting cycle for financial reporting. There are no restatements of information provided in previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries.

The most recent previous report covered the 12-month period ended 31 December, 2021.

The Report has been issued in both English and Arabic, and in the event of any discrepancy, the Arabic version shall prevail.

Digital Annual Report

The interactive digital version of our Annual Report is identical to the PDF version but also includes features for ease of finding, recording, extracting and sharing information.



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At a Glance

Record performance

Financial Highlights

Net loans	Deposits
SAR 242 Bn.	SAR 240 Bn.
+11.5%	+13.4%
Operating income	EPS
SAR 13.6 Bn.	SAR 2.32
+17.6	+15.4%

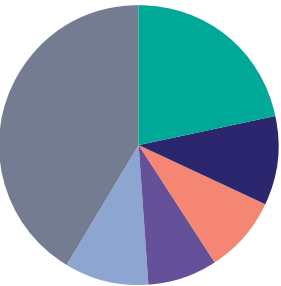
Total assets	Net income
+10.4%	+16.5%
SAR 360 Bn.	SAR 7.0 Bn.

Operating Highlights

Branches (Licensed)	Employees
338	+5,590
Points of sale	ATM machines
189,270	2,250

Shareholders

- 21.8% PIF
- 10.4% GOSI
- 8.7% AlNahla Group
- 8.0% Assilla Investments
- 9.8% Foreign
- 41.3% Others



Saudization rate

96%

1

BANK PROFILE

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For over 6 decades, Riyadh Bank has served the banking needs of our customers to become one of the region's leading financial institutions.

About Riyadh Bank

Established in 1957, Riyadh Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia and the Middle East, with paid-up capital of SAR 30 Bn. Our talented and experienced team of more than 5,590 employees, boasting a Saudization rate of 96% that is among the highest of any large organization in the Kingdom, are the foundation of our success through the years and a source of great pride for the Bank.

To meet the diverse and evolving needs of our retail and corporate customers, including small and medium-sized enterprises, we provide a comprehensive range of industry-leading conventional and Sharia'-compliant products and services. Established as a leading financier and arranger of syndicated loans in the oil, petrochemicals and most of the Kingdom's notable infrastructure projects, we are proud to play a leading role in various areas of finance and investment around Saudi Arabia, supporting the goals of Vision 2030. Our subsidiary, Riyadh Capital, is a leading player in the IPO advisory business and asset management, having won numerous prestigious investment awards in asset management, which enabled the Company to achieve leadership in the financial sector.

Our innovative and differentiated banking and financial solutions are offered through a broad network of 338 licensed branches, and more than 189,270 POS, in addition to more than 2,250 ATMs that are all distributed in strategically selected locations across the Kingdom. Our electronic banking services (web-based and mobile applications) apply the latest electronic technologies to support the banking needs of our customers with the utmost speed, convenience and security.

Our growing footprint now includes our branch in London, our Agency in Houston (USA) and our Representative Office in Singapore, with a new Representative Office set to be launched in China soon, to build our brand internationally and serve our customers wherever they are around the world.

Year established

1957

Paid-up capital

SAR 30 Bn.

Vision	Mission	Values
To be the most innovative and trusted financial solutions partner.	To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner.	<ul style="list-style-type: none">• We Care• We Win• We are One Team

Our Operating Segments

Retail Banking	Corporate Banking	Treasury and Investments	Investment Banking and Brokerage
Deposits, loans and investment products for individuals and micro and small to medium-sized businesses.	Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.	Principally providing money market, trading and treasury services, derivative products as well as the management of the Group's investment portfolios.	Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

The following table lays out the contributions of each operating segment to the Bank's total net income for 2022.

Operating Segment	Net Income before Zakat (SAR Mn.)	Total SAR'000s
Retail Banking	785	10.0%
Corporate Banking	3,843	49.1%
Treasury and Investments	2,465	31.5%
Investment Banking and Brokerage*	734	9.4%
Total**	7,828	100%

* Represents Riyadh Capital
** The influence of other subsidiaries on the Bank's results is not material

Geographic Footprint

Where We Operate

Across our broad footprint of over 338 licensed branches and over 2,250 ATMs throughout the Kingdom of Saudi Arabia, as well as our branches and offices in strategic locations in America, Europe, Asia, and soon in China. Riyadh Bank is perfectly positioned to serve the diverse needs of all our customers.



338 

Saudi Arabia
Branches

ATM machines
2,250

Points of sale
189,270

International Offices



UK Branch
London



USA Agency
Houston

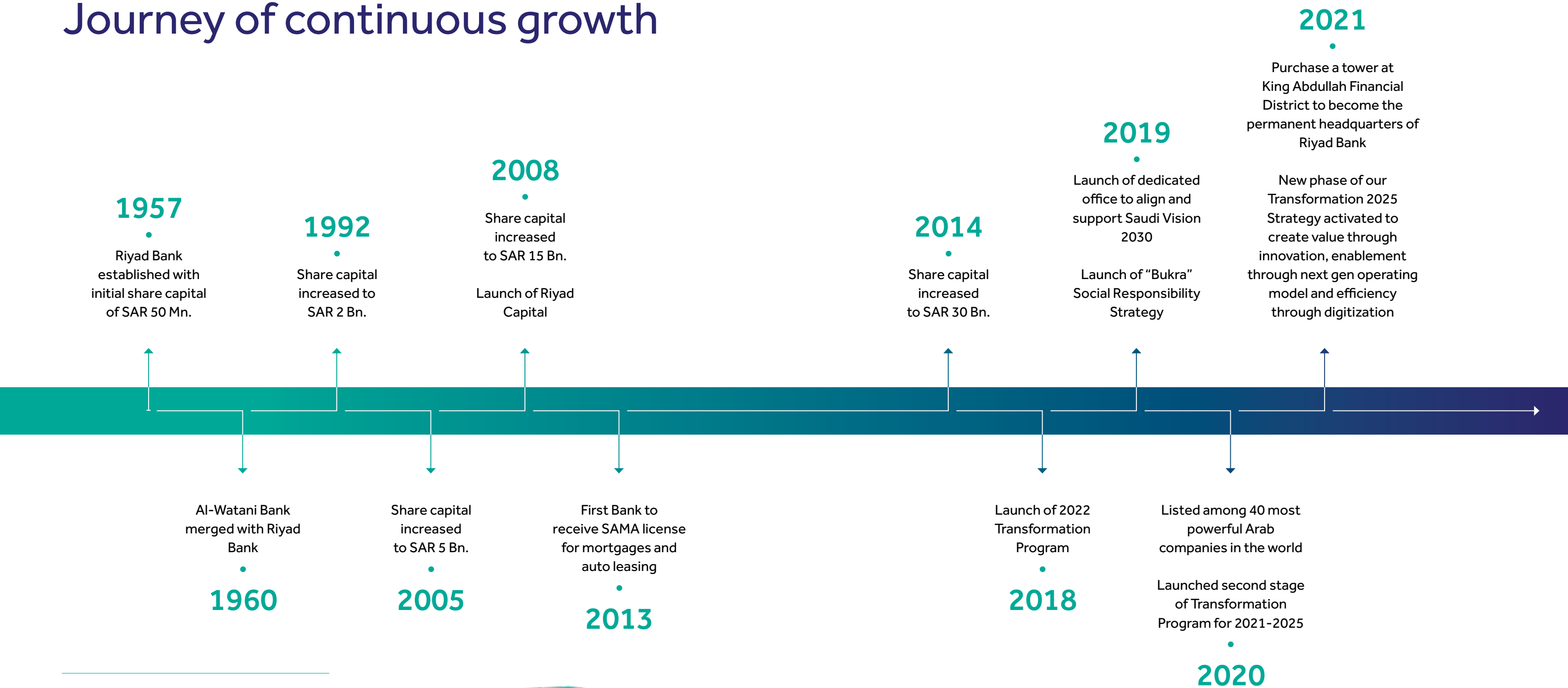


Representative Office
Singapore

Soon in China

Our Journey

Journey of continuous growth



Riyad Bank was founded 65 years ago and has been on a journey of continuous growth and innovation filled with countless achievements and milestones, as we fulfill our vision and create lasting value for our customers, employees, communities and the Kingdom of Saudi Arabia



Year in Review

Reaching new heights

During a year of record performance and results, Riyad Bank rose to new heights of excellence by effectively executing our strategy, forging partnerships, driving innovation and creating sustainable value for all our Stakeholders.

Digitally active banking

January

- In collaboration with Restart LLC , Riyad Bank received a Guinness World Record for establishing the longest line of solar-powered streetlights, consisting of 468 lights in Riyadh

February

- Riyad Bank issued USD 750 Mn. Sukuk at the lowest credit spread achieved by a GCC bank for Tier I

March

- Riyad Bank's Fintech Demo Day took place during the Global Entrepreneurship Congress in Riyadh, where 8 top local and regional fintech's pitched their businesses to a large audience of venture capital firms from our network

April

- Riyad Bank and the Cultural Development Fund launched the "Culture Road" initiative to finance projects and stimulate local and foreign investment in 16 cultural sectors
- Riyad Bank was named one of the best places to work in the Kingdom in 2022 by LinkedIn Top Companies in Saudi Arabia

February

First ESG Tier I Sukuk Globally

June

New SME Centers

November

PMI Sponsorship

May

- Riyad Bank and King Salman Park Foundation signed a Memorandum of Understanding to provide supportive initiatives for developing business enablers

June

- Riyad Bank launched 2 new SME centers for Corporate Banking

July

- Riyad Bank received an honorary recognition from the Minister of HRSD for Riyad Bank's collaboration with the MiSK Foundation through The Innovation Diwan to support 2 social enterprises working on environmental and social projects

August

- Riyad Bank introduced an innovative, new product to provide clients with a first-of-its-kind, tailor-made hedging solution on soft commodities
- Riyad Bank signed an MOU with Environmental Green Horizons Society to plant 4,000,000 trees in 10 years

September

- Riyad Bank launched our new brand that reflects our ambitions and promise for the future
- Riyad Bank issued SAR 3.75 Bn. Tier I Sukuk at the lowest credit spread in SAR Tier I space

October

- Riyad Bank launched its first standalone ESG report with a broad campaign to highlight its sustainability progress and commitments
- Riyad Bank won 'Best Print Annual Report 2021' and came second for 'Best Digital Annual Report 2021' for large cap companies across the Middle East from the Middle East Investor Relations Association (MEIRA)
- Riyad Bank completed its Jeel project with the launch of a new Digital Innovation Center

November

- Riyad Bank received an award from the Open Banking Forum for our outstanding contribution and provision of tailored financial solutions and support to SMEs
- Riyad Bank sponsored PMI, one of the most watched business indicators, which will add to Riyad Bank's image through a monthly published report branded as Riyad Bank PMI®

December

- Riyad Bank continues to implement cutting-edge technology to improve efficiency and productivity, including 182 processes managed fully by robotics, with RPA productivity having increased by 70% in 2022 to reach 3.4 million transactions


Stakeholder Engagement

Transparency and collaboration

<div>Our Employees</div> 	<div>Our Customers</div> 	<div>Our Suppliers/ Partners</div> 	<div>Our Community</div> 	<div>Our Shareholders</div> 
<ul style="list-style-type: none"> Enhanced employee experience by capturing and measuring 'The Hire to Retire' Journey. Launched Kafo Recognition Program. Launched employee wellbeing program, including the 4 pillars of wellbeing. Enhanced retail incentives scheme. Launched performance improvement program. Conducted a wide range of learning and training programs. Automated Human Capital services. Roadshow to explain all Human Capital products and services. Career management activities to support different categories of employees to find their career path. Introduced Careem services to fix the parking issues. Subscribed to Tuhoon app to help employees manage stress and sleep. Divisional offsite meetings and SVPs quarterly gatherings. Photography Day to update all employees' pics as per the new brand. CX Week roadshow including the townhall was conducted in Central, Western and Eastern regional offices to educate the Staff on customer experience activities. Launched Employee Experience survey (eNPS) in collaboration with Human Capital division. 	<ul style="list-style-type: none"> Conducted multiple usability test sessions for diversified products and services to improve usability. Interviewed 60+ customers to identify their expectations. Improved customer experience through various surveys and customer interviews. Enhanced the customer journey for offline and digital channels. Launched Riyadh Bank Next and completed the first 3 phases of the program (including identification of major pain points, recommended initiatives, and mapping them with existing ones). Implemented Wathiq solution to bring customers title deed information instead of manual input by CSR. 	<ul style="list-style-type: none"> Completed Master Agreement with King eClient for UX. Renewed technical maintenance of the CX lab and UX resources contract. Procured Bank logistics demand from SMEs and enhanced procurement of local content (49% from all Bank logistics purchasing demand). Issued Vendors Manual for Banking Procurement. Utilized Jadeer Portal for SMEs (Engage and Registrar). Issued "A guide to encourage participation in the development of local content" for SMEs. 	<ul style="list-style-type: none"> MiSK Collaboration recognition from the Minister of HRSD for Riyadh Bank's support of 2 social enterprises working on environmental and social projects. Guinness World Records Certificate for establishing the longest line of solar-powered streetlights. Collaboration with Saudi Food Bank during Ramadan to distribute 200,000 meals in 5 main cities, as well as Iftar meals. Recycling ecosystem achieved total Paper and Plastic more than 98 tons and 200 HP ink and toner cartridges. Reducing food waste and manage food surplus during Hajj and Umrah by collecting and sorting 1 million meals from surplus food and preparing them for families with low income, to achieve +700,000 meals saved worth SAR 8 Mn. MOU with جمعية آفاق خضراء (Environmental Green Horizons Society) to plant 4,000,000 trees in 10 years. 	<ul style="list-style-type: none"> Prepared and arranged the Extraordinary General Assembly meeting on Tuesday 12/04/2022, applying digital channels to engage Shareholders, including electronic voting, virtual attendance and digital reminders to attend and vote. Prepared and arranged the Ordinary General Assembly meeting on Sunday 23/10/2022, applying digital channels to engage Shareholders, including electronic voting, virtual attendance and digital reminders to attend and vote. Dividends were distributed to Shareholders for the first half of 2022.

Investment Case

Our competitive advantages

1	2	3	4	5
A well-connected bank in the Kingdom of Saudi Arabia with international presence 	Well positioned for growth in line with Saudi Vision 2030 	Strong and well-capitalized balance sheet and solid income generation capacity 	A responsible Bank with strong governance and an experienced leadership team 	A Bank with ESG at the heart of its operations 
<p>Riyad Bank is the third largest Bank in the Kingdom of Saudi Arabia in terms of assets with a solid domestic franchise and brand, with more than 6 decades of history and the first joint stock banking company to be established in Saudi Arabia. The Bank has an extensive branch network operating through 338 licensed branches in Saudi Arabia, its London branch, an Agency in Houston, a Representative Office in Singapore and soon in China. The Bank has strong and excellent government and corporate relationships offering customers a wide range of banking services.</p> <p>Key Achievements:</p> <ul style="list-style-type: none"> • Winner of Bonds, Loans and Sukuk Middle East Award for Financial Institutions Deals, presented by GFC Media Group • Ranked Number 8 in Most Valuable Brands 2023 • Named Best Bank for SMEs in the Middle East • Launched "Bukra" Social Responsibility Strategy • Launched second stage of Transformation Program for 2021-2025 • Achieved 84% in Customer Satisfaction Index from Saudi Central Bank • Listed among 40 most powerful Arab companies in the world 	<p>We established a Business Initiatives and Enablers Development Center (BIED) in 2021, which happens to be the first center in the Kingdom specifically designed to develop initiatives to support business enablers for the Government and private entities working jointly, to achieve the goals of the Kingdom's Vision 2030. The Bank's diversified model provides great opportunities to grow and execute its ambitious plans through continuous investments in our core business propositions by delivering world-class technology and digital capabilities to our customers.</p> <p>Key Pillars of the Banks 2025 Strategy:</p> <ul style="list-style-type: none"> • Most profitable • Most efficient • Digitally enabled • Bank of Choice 	<p>Proven track records on profitability and total Shareholders' value returns supported by a strong capital position, high levels of liquidity and a stable deposit base provide a robust foundation for meeting the demands of customers and delivering a sustainable return to Shareholders.</p> <p>Key Ratios:</p> <ul style="list-style-type: none"> • CET1: 15.9% • Total CAR: 21.1% • Leverage: 12.8% • LCR: 182% • NSFR: 118% • ROAE before Zakat: 16.25% • ROAA before Zakat: 2.28% • RoRWA: 2.52% 	<p>The Bank has a robust corporate governance framework and risk management process that strives to deliver on all our Stakeholders' interests. This is enabled through an experienced leadership team comprising of local and international expertise with a clear mandate from the Board to deliver sustainable results in a responsible manner.</p> <p>Key Principles:</p> <ul style="list-style-type: none"> • Clear roles and responsibilities for the Board of Directors and Management • Performance culture at the center • Experienced and seasoned Management team 	<p>The Banks' commitment to Environmental, Social and Governance (ESG) factors were successfully launched before global trends. "Bukra", a comprehensive and long-term corporate social responsibility strategy, is aligned with the best practices of the most important local, regional and global frameworks, including Vision 2030, and the UN Sustainable Development Goals.</p> <p>Key Drivers and Accomplishments:</p> <ul style="list-style-type: none"> • Green and Renewable Banking: SAR 7.4 Bn. Riyad Bank's financing contribution • The Bank received the 'Mowaamah Golden Certificate' for creating a work environment suitable for people with disabilities • Full alignment of our 2025 Strategy with the objectives of Saudi Vision 2030

Shareholder Information

Best practice investor relations

Share Information

Listing date:	January 1993
Exchange:	Tadawul
Symbol:	1010
ISIN:	SA0007879048
Number of shares issued:	3,000,000,000
Closing price as of 31 December, 2022:	31.80 SAR
Market cap as of 31 December, 2022:	95,400,000,000 SAR
Foreign ownership limit:	49%
Free float:	51%

Shareholders Share



- 21.8% Public Investment Fund
- 10.4% General Organization for Social Insurance
- 8.7% Al Nahla Trading and Contracting Company
- 8.0% Assila Investment Company
- 9.8% Foreign
- 41.3% Others

Foreign Shareholders by Geography

- 5.03% North America
- 2.82% Asia
- 1.74% Europe
- 0.19% Australia
- 0.02% Africa
- 0.01% South America

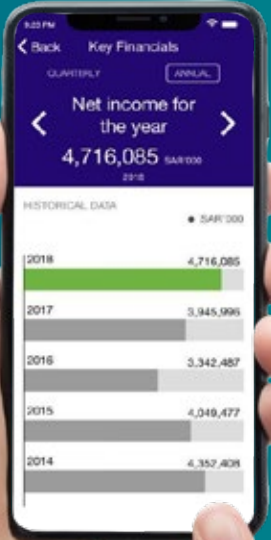
Investor Relations Calendar 2022-2023

Earning Calls

- YE 2021 Earnings call in 9 March, 2022
- Q1 2022 Earnings call on 11 May, 2022
- Q2 2022 Earnings call on 17 August, 2022
- Q3 2022 Earnings call on 31 October, 2022

Roadshows

- 3-day Sukuk issuance roadshow in Dubai, February, 2022
- Morgan Stanley 13th Virtual Saudi Arabia Conference and second MENA Conference, 17 May, 2022
- HSBC/Saudi Exchange conference in London, 6-7 June, 2022
- Goldman Sachs Saudi corporate day in London, 5 September, 2022
- Goldman Sachs non-deal roadshow in London, 6 September, 2022
- Goldman Sachs financial symposium in London, 7-8 September, 2022
- EFG Hermes conference September in Dubai, 19-20 September, 2022
- BofA in Riyadh, 1 November, 2022.



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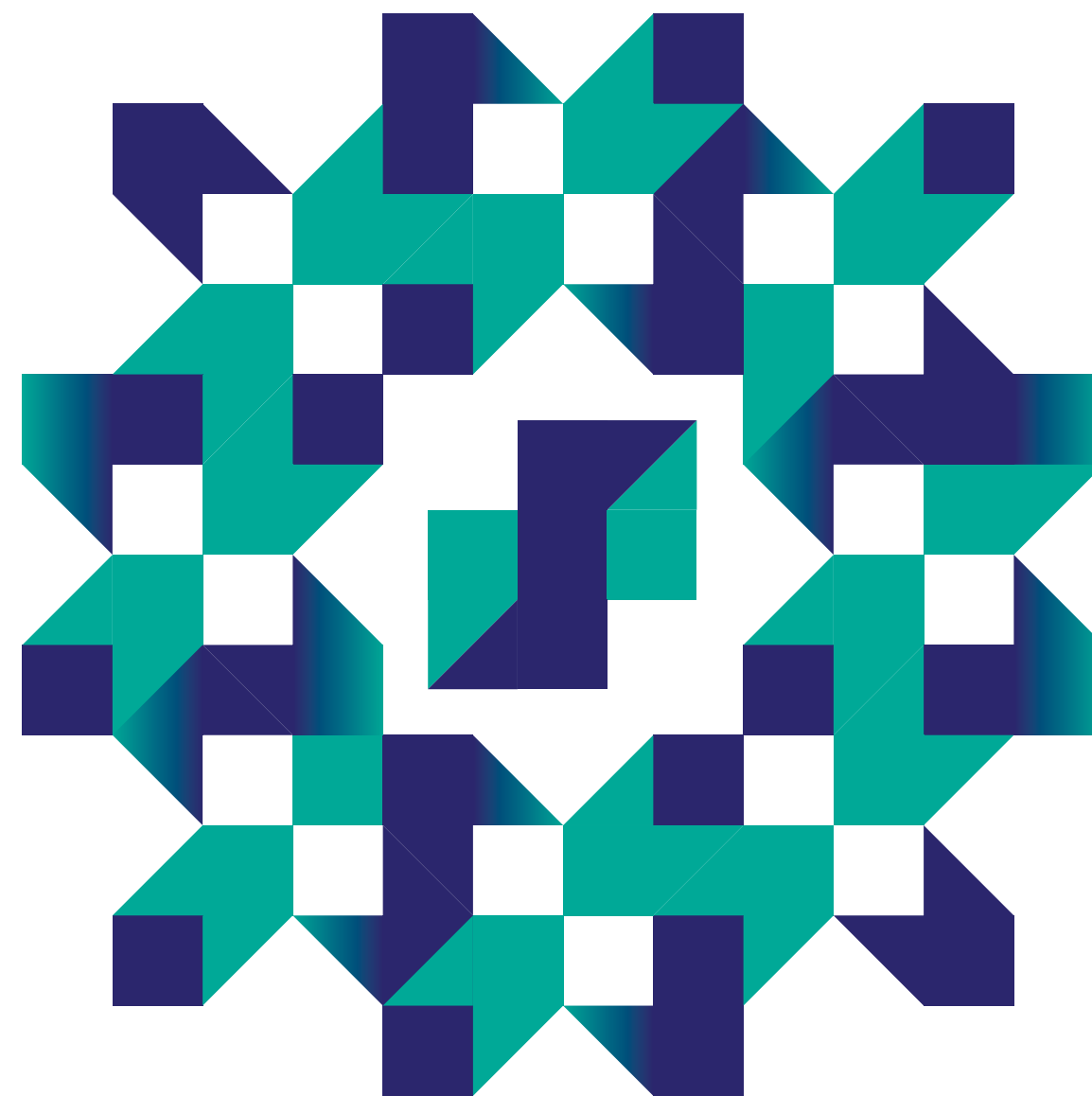


For more information, please access our IR page by scanning the QR code.



STRATEGIC REVIEW

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Our strategy sets us apart and positions Riyadh Bank for continued innovation and value creation for our Shareholders and all our Stakeholders.

Chairman's Statement

Continuous success

Riyad Bank has been amongst the most profitable, surpassing all expectations and making 2022 one of the best ever financial years for our Bank.



Achieving success is not our biggest challenge, but rather maintaining and maximising it. This requires foresight and focus which have long been the foundation of Riyad Bank's success, as we invest in and nurture the dynamism of our human capital and operational excellence. We have fostered a culture of achievement while benefiting from the strength of the Saudi economy, which has overcome all challenges to achieve exceptional growth and diversification.

Therefore, on behalf of the Board of Directors, I am pleased to present Riyad Bank's Annual Report 2022, which outlines the financial performance, strategies, achievements and ambitions of the Bank during this historic and eventful year.

Our performance this year built on the strength and resilience of the past few years, as we delivered exceptional results in the face of global economic challenges and rapidly rising international inflation that affected markets and companies worldwide. While most global economies took a cautious approach, the Saudi economy and its banking sector sailed against the tide to accelerate towards the nation's Vision and deliver world-class growth, reflecting the wisdom of Saudi financial and banking policy and the ever-increasing diversification, balance and harmony between the public and private sectors.

As Saudi banks' profits surged to record levels, Riyad Bank has been amongst the most profitable, surpassing all expectations and making 2022 one of the best ever financial years for our Bank. This was a result of enhancing our productivity and developing our capabilities to maintain our strategic progress, as well as ever-greater determination and innovation to increase productivity and ensure sustainability, in order to ultimately meet the expectations and aspirations of our shareholders and customers.

Accelerating achievements



I am proud to present Riyad Bank's achievements for 2022, which will not only meet shareholders' aspirations but also reflect the effort, creativity, innovation and dedication of our precious human capital, as well as the trust and loyalty of our customers. We remain committed to maintaining this trust as we strive for increasing value creation.

Financially, Riyad Bank achieved net profit of SAR 7.0 Bn for the twelve-month period ending on 31 December 2022, a remarkable 16.5% increase over the previous year's profit of SAR 6.0 Bn.

To enhance customer experience, we made significant efforts that resulted in a noteworthy increase in the overall customer satisfaction index score, which rose to 84%, a 12% increase over last year's score, according to the customer satisfaction index from the Saudi Central Bank.

Increased year profit

16.5%

We are currently undergoing an internal paradigm shift focused on creating value through innovative solutions and products that improve efficiencies, enhance process automation and drive digitisation. In line with evolving market dynamics, we are developing frameworks for relationship management and sales representatives, supported by a platform project called "RM Workbench."

We have taken significant steps to enhance our strategic goals, including developing the lending portfolio and improving financial performance indicators.

As part of our strategy to become the Bank of Choice for employees, we have been recognised by CIPD for our outstanding achievements in coaching, mentoring strategy, recruitment strategy and Most Impactful Diversity and Inclusion Initiative.

Recognising the importance of economic data in the banking sector, we partnered with S&P Global to launch the Riyad Bank Purchasing Managers Index (PMI), an indicator of economic trends in the industrial and service sectors. The PMI summarises whether market conditions, as seen by purchasing managers, are expanding, staying the same or contracting. By launching this indicator, we aim to provide accurate and timely information about current and future market conditions to business decision-makers, analysts and investors.

Riyad Bank and Saudi Vision 2030
◆◆◆◆◆

Based on our role as a major supporter and contributor to achieving the goals of Saudi Vision 2030, Riyadh Bank has launched many initiatives and projects to create the future we envision. This includes executing many agreements and partnerships that have led to significant impact and activation of many initiatives with relevant government agencies.

During this year, we continued to make important contributions in financing green projects, in support of the National Renewable Energy Program, with financing amounting to SAR 7.4 Bn distributed over 28 green and renewable energy projects with a total cost of over SAR 52 Bn.

We also contributed to accelerating the transition towards a green, low-carbon economy, most recently through the successful issuance of our USD 750 Mn sustainability bonds which will be deployed to finance a range of green and renewable energy projects in the energy and water sectors, among others.

To contribute to achieving the Vision 2030 ambition of a cashless society and strengthening the business and tourism sectors, we launched the "Discover Credit Card", the first bank in Saudi Arabia to do so.

Empowering the success of SMEs
◆◆◆◆◆

SMEs are among the most important drivers of the national economy and one of the target sectors of Saudi Vision 2030. At Riyadh Bank, we are proud to support and empower SMEs across the Kingdom each day. For the fifth year in a row, the Bank has maintained its position as the largest financing bank for small, medium and micro enterprises, with a market share of 22%.

At the beginning of 2022, we also launched a centre dedicated to supporting SMEs, in order to provide them with the best possible financing and advisory solutions and, in turn, grow our market share in this critical sector. This support and the solutions provided resulted in the Bank being named the "Best Bank for SME Banking in Saudi Arabia" by Euromoney and "Outstanding Contribution to SMEs" by the Open Banking Forum.



Our identity, our vision
◆◆◆◆◆

At Riyadh Bank, we are going through a transformation journey to become the most trusted financial solutions partner, the Bank of Choice for customers and employees, and the most innovative bank, while launching our new identity "My Bank, always with you", which will transform our vision to reality and usher in a better future for the Bank and all our stakeholders.

Our new identity is fully aligned with Saudi Vision 2030 and Riyadh Bank's transformation strategy 2025, which maps out a bright future filled with prosperity, excellence, creativity and leadership at all levels.

Social responsibility
◆◆◆◆◆

Our focus during 2022 was to enhance environmental protection and sustainability as a key priority and strategic focus for our business, without affecting our ability to deliver on our existing commitments, to make a significant and growing positive impact on society.

The initiatives of our environmental programme that we implemented during 2022 included: issuing our first environmental, social and governance (ESG) report, and signing many agreements and MOUs with various associations, programmes and specialised centres, with the aim of enhancing our environmental efforts.

First bank in Saudi Arabia to launch
"Discover Credit Card"

We continue to deliver on the strategy of the Bank's long-standing corporate social responsibility programme, Bukra, in line with the goals of Saudi Vision 2030, while endeavouring to become a champion in sustainable practices for our employees, customers, stakeholders and the entire Kingdom of Saudi Arabia.

Digital Transformation and Innovation
◆◆◆◆◆

Through our ongoing digital transformation, cutting edge technologies are now established and integrated across every single area of Riyadh Bank, as the foundation for operational excellence and efficiency, as well as enhanced customer experience and satisfaction. From this standpoint, we have continued to invest in continuous improvement in this critical area, striving to enrich customer experience by responding to challenges, meeting their expectations and exceeding their aspirations.

In 2022, we continued our transformation journey and took important steps in accelerating digital innovation, including the launch of the Open Banking services model, Back-end as a Service (BaaS), with the aim of strengthening our position amongst the top banks operating in the Kingdom.

The largest financing bank for small, medium and micro enterprises, with a market share of
22%

In order to ensure significant and tangible progress towards our strategic goals, we focused on reinforcing our already strong proposition to support and engage Fintechs in the region. This included designing bespoke product packages for Fintech companies, as well as the landmark inauguration of our digital innovation centre (Jeel). As an independent company designed to support the Fintech ecosystem and drive disruptive innovation, in accordance with the goals of Vision 2030, Jeel will enhance the Bank's efforts to develop new products and services that lead the market, as well as unlocking internal entrepreneurship (intrapreneurship) for increased agility and resilience.

In appreciation of our dedicated efforts in this regard, we won many awards during 2022, including the "Excellence in innovation and digital solutions award" from Euromoney and the "Data practice excellence award" from Informatica at Middle East Customer Innovation Awards 2022.

Acknowledgements
◆◆◆◆◆

I wish to take this opportunity to commend the efforts made by my fellow Members of the Board whose terms ended on 30 October 2022. They have served with great honour and dedication to support the Bank's executive management during a period of outstanding achievements.

I welcome our new Board Members and look forward to working with them during the current term, as we work to deliver our strategy aimed at making Riyadh Bank "the most innovative and the most trusted financial solutions" and the Bank of Choice. I am confident that their collective knowledge and will help the Bank to achieve its long-term aspirations, deliver excellent value for our shareholders and stakeholders, and continue to enhance the Bank's presence and leadership within the Saudi banking sector.

On behalf of everyone at Riyadh Bank, I would like to extend our deepest thanks and gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and his Crown Prince and Prime Minister, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, may Allah protect them and grant them success. Further, we send special thanks to the Ministry of Finance, Saudi Central Bank, Capital Market Authority and Ministry of Commerce for their efforts in supporting and developing the Saudi banking sector, ensuring its continuous progress and a foundation for the sustainable success of our Bank.

Abdullah Mohammed Al-Issa
Chairman of the Board



Theme of the Year

Strategic Progress. Continuous Innovation. Strong Performance.

It was a record-breaking year for Riyad Bank, with continued growth and innovation demonstrating that our strategic progress is driving us towards our vision for the future.



Strategic Progress

In 2022, we continued to pursue our strategy of creating growth and value for Shareholders and all Stakeholders. Our focused execution paid off with robust profitability, productivity and digitalization. We held our place as a leading financial institution in the Kingdom with continued alignment with Saudi Vision 2030.



Continuous Innovation

We are doing everything it takes to become the most innovative and digitally enabled bank in the Kingdom built around the needs of our customers. Our achievements in the digital sphere this year were numerous, with innovations across the board. We continue to be a major player in the fintech ecosystem with a robust digital-first approach.



Strong Performance

Through the resolute execution of our strategy by our experienced leadership team and talented employees at every level, Riyad Bank posted record revenues, efficiency and profitability in 2022. This decisive financial performance was bolstered by growth in our core business, insightful investments, industry-leading infrastructure and our new brand identity.

We are well on our way to become the 'Best Bank in Saudi Arabia' – the first choice for customers, employees, and Shareholders across the Kingdom and beyond.

CEO's Message

An Exceptional Year for Riyadh Bank

2022 has been an exceptional year for Riyadh Bank, with unprecedented successes, achievements and results at all levels.



2022 has been an exceptional year for Riyadh Bank, with unprecedented successes, achievements and results at all levels. Through proactive strategic planning, combined with a strong culture of ambition and action across our entire workforce, we have made excellent progress towards achieving our strategic ambition of becoming the bank of choice in the Kingdom by 2025.

As well as delivering on this core promise for both customers and employees, we aim to become the most profitable, most efficient and most digitally-enabled bank in the Kingdom. Our passion and determination allowed us to take significant strides towards these strategic objectives during this momentous year.

Delivering Results in a Growing Market



In 2022, the Saudi economy delivered a strong performance, despite the impacts of inflation and economic stagnation on economies worldwide, including the impact of the Russian-Ukraine war. The Kingdom's Real GDP grew by 8.7%, as a result of 15.4% growth of the oil economy, 5.4% growth in the non-oil economy, and 2.2% growth in government activities year on year.

These exceptional economic achievements are a direct result of the Saudi leadership's wise and insightful vision, as well as the harmony between the public and private sectors, particularly the banking sector, in which Riyadh Bank is a key player. Within this context, Riyadh Bank recorded our highest ever net profit, at SAR 7.0 Bn, a jump of 16.5% compared to 2021.

Reflecting our financial and operational success, leadership and excellence during this year, it is noteworthy that Riyadh Bank won a number of prestigious CIPD awards in 2022, Most Impactful Diversity and inclusion Initiative, best human capital coaching and mentoring strategy, and for the best recruitment and talent

management strategy. We also received many awards for customer experience, as the Bank's customer satisfaction rate increased to a record level of 84% in 2022, according to the Saudi Central Bank index.

Accelerating Digitalisation



We have spared no effort to be at the forefront of our sector by investing in automation and digitisation of banking operations and diverse transactions with customers and stakeholders. We harnessed our capabilities to support digital empowerment and continued to prioritise innovation as a key to our sustained digital excellence; this included transforming almost all of our transactions to be paperless. We also launched a number of innovative products and solutions, and made our customer journey completely digital – an important step towards in our ambitions to be a fully digitally-enabled bank.

Furthermore, we launched the Open Banking and Banking as a Service (BaaS) model, with the aim of strengthening our position as a leading bank in the Kingdom.

To accelerate the pace of achieving our strategic goals, we succeeded in improving our performance and establishing our leadership position in supporting Fintech in the region. During 2022, we increased our focus on designing product packages for Fintech companies.

Driving Innovation



This year, we launched the beta version of our Digital Innovation Center (Jeel). This is a key milestone in unlocking systemic and product innovation and integration across our different departments and

divisions, in addition to enabling greater integration with the Fintech sector. Jeel will include a digital laboratory, a digital factory, a digital studio, and a digital research centre, to encompass and drive all areas of digital transformation and innovation for the Bank.

In 2022, we also launched a framework for our strategic partnership incubator for emerging Fintech technologies, which is the first project of its kind in the region. We also established the Venture Building project, which is a transformative initiative aimed at exploring the possibilities of new financial, technical and business models in Fintech.

Further, this year witnessed the second and third batches of Riyadh Bank's eight-week open innovation platform, WSL, which is designed to provide entrepreneurs and innovators with an experimental environment with simulated banking data and tools to allow them to create innovative financial solutions and services.

Retail Banking



Retail banking continued to grow and contribute to creating increasing value and achieving the Bank's strategic objectives, maintaining its growth trajectory in terms of assets, liabilities and profitability.

Our Private Banking customer base increased by 13% in 2022 compared to 2021, with total deposits rising by 8% and total relationship value increasing by 15%. The growth of Private Banking is largely due to the provision of a variety of attractive investment products to our customers, supported by highly qualified relationship managers.

GDP growth rate

8.7%

In line with our commitment service excellence, we continued to invest in the knowledge and capabilities of our team by launching the first Private Banking programme for relationship managers, in partnership with Fitch Learning. The programme aims to improve the technical and behavioural skills of relationship managers, which will drive further growth, as indicated by the increase of our customer base this year.

Corporate Banking
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Corporate Banking also delivered a strong performance during 2022, recording exceptional results while continuing to enhance cooperation and collaboration across the Bank to build the necessary capabilities to shape our future, as embodied in our slogan "One Bank, One Team".

In 2022, Corporate Banking continued to enhance its portfolio through numerous large-scale deals that significantly contributed to the ongoing diversification of the national economy, while also providing the financing and credit facilities necessary to support the expansion plans of many startups, large and multi-national companies.

In line with our pivotal role in supporting Vision 2030, we participated in a wide range of financing and development initiatives aimed at serving several giga and mega-projects in the sectors of infrastructure, education, healthcare, tourism and entertainment, in addition to supporting small and medium enterprises (SMEs) and privatisation programmes.

We also intensified our efforts during 2022 to maximise customer value, with a particular focus on key market segments. This focus benefited from the application of data and information analysis in setting strategies and developing offers suitable for various market sectors, from SMEs to large companies. These efforts resulted in improvements in targeting mechanisms, provision of resources, development of service and product channels, capacity building, and consolidation of sales alliances.

In this context, an internal paradigm shift in Corporate Banking is taking place towards more focused value creation through innovative solutions and products that improve efficiencies and enhance process automation and digitisation.

We continued working on raising customer satisfaction levels and increasing the speed of service delivery through synergies across our operations and enhanced product mix. Furthermore, to ensure coordination and compatibility with market dynamics, we are developing frameworks for relationship management and sales representatives, supported by a platform project to manage the banking relationship, called the "RM Workbench".

Corporate Banking also took steps to further our strategic goals, in terms of developing our lending portfolio and improving financial performance indicators.

During 2022, we continued to enhance our contributions in financing green projects, in particular the National Renewable Energy Program, with financing amounting to SAR 7.4 Bn distributed over 28 green and renewable energy projects, with a total investment exceeding SAR 52 Bn.

We also continued our journey towards a green, low-carbon economy by issuing recently a USD 750 Million sustainability bond as an investment tool to finance a range of green and renewable energy projects in the energy and water sectors, among others.

Supporting SMEs
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Our focus and commitment to supporting the SME sector is consistent with the government's support programme for the sector and objectives to increase the private sector's contribution to the national GDP.

According to the Kafala Program, we acquired 22% of the credit facilities market for SMEs in the Kingdom, as of year-end 2022. In addition, we signed a cooperation agreement with Monsha'at to support their member SMEs by benefiting from the SME centres of Riyad Bank.

Treasury and Investments Division
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Treasury and Investments efficiently managed the Bank's liquidity during 2022 and succeeded in maintaining good capital and liquidity ratios that contributed to supporting our growth and the successful issuance of our Tier-1 Sukuk this year.

This positioning also helped to mitigate the risks facing our broader investments through the effective implementation of hedging policies, and anticipated an increase in interest rates by raising cash levels, a strategy that protected a large share of the value of our portfolio. Moreover, the timely exit of a number of investments resulted in strong capital gains and capital preservation.

During the year, Treasury and Investments took important strides to meet its most important key performance indicators and contribute to the Bank's progress towards our 2025 goals. As per our Treasury and Investments strategy, we continued to create value through innovation, drive empowerment through advanced operating models, and enhance efficiency through digitisation. We also successfully embarked on a comprehensive upgrade of our treasury system platform, making several improvements that will increase the level of efficiency of customer services, in addition to achieving smoother integration and tighter control over operations.

Our early adoption of digital communications with our corporate clients has given us a clear competitive advantage, allowing us to increase the volume of foreign exchange transactions and expand our market share. We have also successfully completed the implementation of the first phase of our digital foreign exchange platform (RBFX), which enables Corporate Banking clients to cover their foreign currency requirements at highly competitive spot rates. We are currently working to expand the scope of the platform and make key services available to our other sectors.

We have also concluded a number of important and new agreements to expand and deepen our network of local and international banks, enhance our level of market access, and ensure that we get better pricing for products, with many of these agreements currently in advanced implementation stages.

Launched our new identity
"My Bank, always with you"

Accelerating ESG Impact
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We have clearly demonstrated our deep commitment to corporate sustainability and responsibility towards environmental, social and governance factors; this commitment remains a strategic priority and reached its highest level in 2022.

While this commitment is critical to the future of our Bank, it will also enable us to play an effective and pivotal role in contributing to positive changes that lead to a better future for our communities, shareholders and society as a whole.

2022 witnessed the issuance of our first ESG Report, demonstrating our commitment to transparency and stakeholder engagement. In support of the Saudi Green Initiative, we launched an initiative to plant four million trees over 10 years and developed the first Arabic carbon footprint calculator in the MENA region.

Launching our New Identity
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This year, we proudly unveiled our new identity, "My Bank, always with you". We launched our new identity to reinforce our leading position as a reliable financial entity aspiring for the future. This milestone will support the achievement of our strategic transformation goals of 2025, while reflecting our aspirations to embrace and support the Kingdom's comprehensive objectives of Vision 2030.

Our new identity embodies our firm principles, with people at the heart of our purpose. It showcases our capabilities and commitment to achieving their aspirations for a banking experience that gets richer every day by offering them the best and the latest in the banking industry.

Acknowledgements
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In conclusion, I have the honour of extending our deep gratitude to the wise leadership of the Kingdom, represented by the Custodian of the Two Holy Mosques and his trusted Crown Prince – may Allah protect them and take care of them.

I would also like to extend my sincere thanks and appreciation to the Saudi Central Bank (SAMA), the Capital Markets Authority of Saudi Arabia (CMA), and our Chairman and all the Members of our outstanding Board of Directors for their vision, support and guidance.

Furthermore, I would like to thank our shareholders and customers for their trust, and every member of the Riyad Bank family for their dedication and contributions during this successful year.

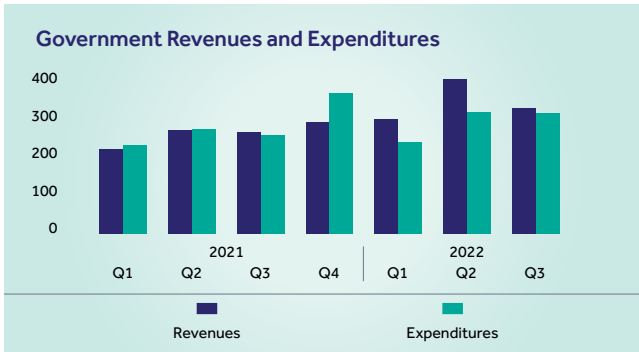
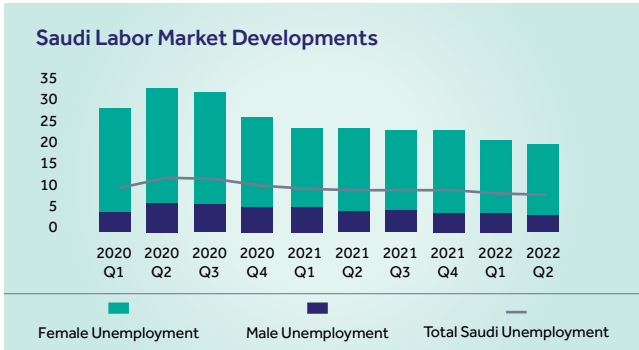
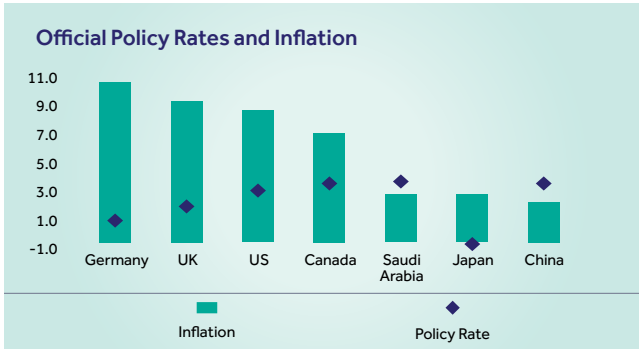
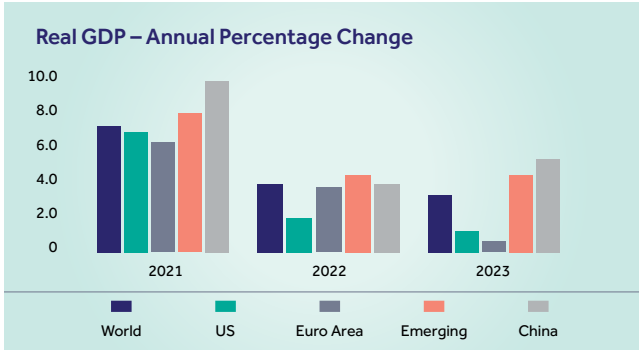
We look forward to another year full of success and achievements, through our combined effort, service and commitment to make further progress towards becoming the bank of choice in the Kingdom by 2025.

Tareq A. Al Sadhan
Chief Executive Officer



Market Overview

The Saudi banking sector maintained a positive trajectory during 2022, supported by strong economic growth in the Kingdom and accelerating progress towards Saudi Vision 2030 goals, despite a range of significant headwinds affecting the global markets.



A Challenging Global Economy

The Global economy continued to face challenges in 2022, shaped by the lingering impacts of 3 powerful forces: the geopolitical conflict in Europe, a cost-of-living crisis caused by persistent inflationary pressures, and the slowdown of Chinese demand. Spillovers from these shocks are set to quicken the deceleration of global economic activity, reflecting a deterioration in sentiment, rising inflation and tightening financial conditions. Central banks around the world have engaged in monetary policy tightening to confront price pressures that have spiked around the globe.

Global economic growth stalled in the second quarter of 2022, and indicators in many economies now point to an extended period of subdued growth. US GDP growth is projected to slow sharply to 1.0% in 2023, and to 0.5% in the Euro area, with risks of output declines in several European economies during the winter months. Growth in China is projected to drop to 3.2% this year, amid COVID-19 shutdowns and property sector weakness.

Inflation has intensified globally in 2022 and pricing pressures have sharply accelerated. The US and Europe, in particular, lived through the highest inflation in 4 decades on the back of prevailing supply chain disruptions post pandemic and the energy crisis caused by the geopolitical conflict in Europe. Moreover, energy prices have risen sharply, particularly for natural gas. Russia's progressive reduction in gas flows to Europe this year has forced European economies to buy more liquefied natural gas on spot markets, driving up prices.

Therefore, financial conditions have tightened as central banks have responded increasingly vigorously to above-target inflation, pushing up market-based measures of real interest rates. Equity markets in much of the world have fallen sharply this year, nominal bond yields have risen, the US dollar has appreciated significantly, and risk appetite has diminished. Consequently, multiple indicators of economic activity have deteriorated alongside a steep fall in consumer confidence.

Strong Economic Growth for Saudi Arabia

The Saudi economy remained robust throughout 2022 and is expected to grow beyond 8% for the year, supported by a sharp rebound in both oil and non-oil sectors. The oil sector has significantly expanded, as increased oil production and higher crude prices have created favorable conditions for the sector. Similarly, the non-oil sector grew briskly on the back of accelerated investment and consumption domestically. However, the impact from elevated commodity prices and rising inflation in Europe and the US during the year project to affect the domestic economy in the medium term, in the form of rising prices, especially in imported goods.

For 2022, our projection for real GDP has been revised to 8.9% on the back of continued improvement in oil market conditions and expanded private sector growth. After growing at the fastest pace since 2011, we project slowing economic growth next year on a tougher base effect, relatively lower oil prices and weaker growth of oil output. GDP growth in 2023 will sit around the average of the past decade. Outlook risks include US Fed hikes, a sharp global economic slowdown, and unexpected OPEC+ quota changes. However, the Kingdom's fiscal balance

is projected to be in surplus this year and over the medium-term for the first time in nearly a decade, which in turn will strengthen the Kingdom's financial position and boost its capabilities to counter global shocks and crises.

It is worth noting that during 2022 the Kingdom achieved significant progress toward its Vision 2030 targets. The role of the National Investment Strategy alongside other comprehensive programmes proved vital in enhancing the contribution of the private sector to the domestic economy. These programmes have played a major role in the decline of the unemployment rate for Saudis to the lowest level in 10 years and accelerating inclusion of females to the labor force. Moreover, the Kingdom's budget for 2023 reflects progress in implementing projects supporting economic growth and diversification of the economy, which is one of the core objectives of Vision 2030.

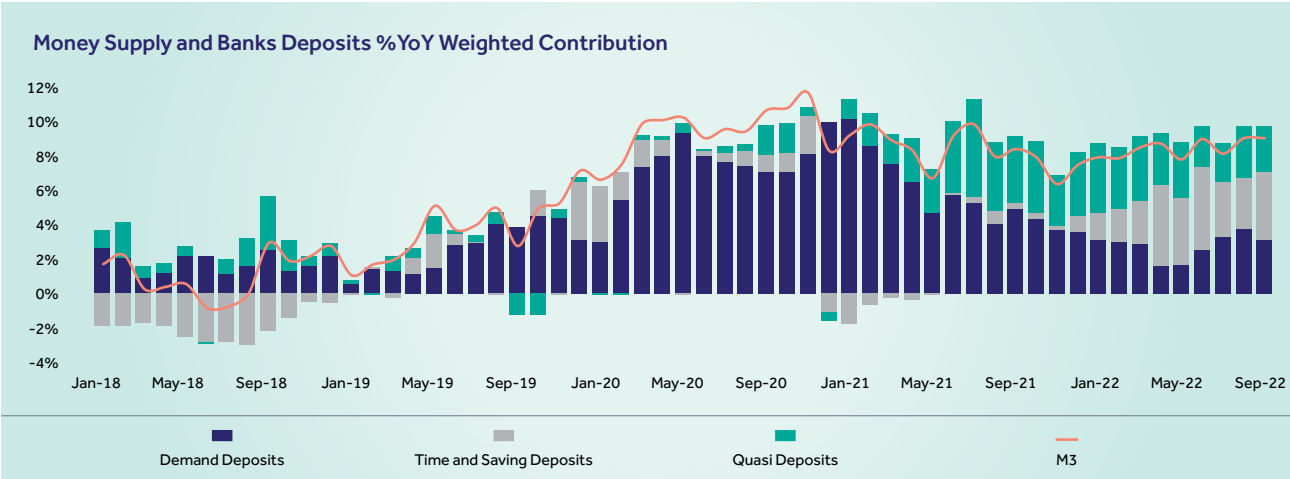
A Resilient Saudi Banking Sector

Monetary policy in Saudi Arabia is anchored by the Saudi Riyal's peg to the US Dollar. The peg - which has been in place for 3 decades - provides credibility to monetary policy and stability to trade, income flows and financial assets. However, the peg also means that Saudi

Arabia has limited flexibility in monetary policy, as short-term policy interest rates closely follow those of the US. In 2022, the Federal Reserve, which controls the overnight interest rate in the US, increased its policy rate 7 times to try to rein in inflation.

The Saudi Central Bank, SAMA, followed the Fed's movement and adjusted its policy rates 7 times too, which resulted in a significant increase in the interbank rate as well. Given that Saudi banks have a high share of non-interest bearing deposits, those increases in the interbank rates impacted banking profits positively. On the other hand, increasing interest rates usually deter some borrowing. However, this was not the case in 2022, as the high growth that Saudi Arabia witnessed overshadowed any deterioration in the short-term.

There is an inverse relationship between interest rates and money supply, meaning an increase in the interest rates should negatively impact money supply. However, with the increase in government spending and solid domestic growth, money supply maintained its positive trajectory. The composition of money supply has therefore been altered, with Time and Saving Deposits increasing at the expense of the Demand Deposits.



Our Business Model

Creating significant, sustainable value

Our Strengths

Riyad Bank leverages our unique strengths and capabilities to create significant and sustainable value for all our Stakeholders, as we progress towards our vision of becoming the Bank of Choice in the Kingdom of Saudi Arabia.



Financial Strength

- SAR 360 Bn. in Assets
- SAR 242 Bn. in Loans
- SAR 240 Bn. in Deposits

Rating Strength

- Fitch: BBB+
- Standard & Poor's: BBB+
- Moody's: A2

Operational Strength

- 338 Branches
- 2,250 ATMs
- 189,270 PoS

Human Capital Strength

- +5,590 Employees
- 28.5% Women
- 96% Saudi Nationals

Innovation Strength

- Launched the Digital Innovation Center
- Strong Data Management Capabilities
- Established Open Banking Ecosystem

Vision 2030 Partners

- Launch of dedicated office to align and support Saudi Vision 2030
- Submitted 75 proposals and initiatives related to the Vision, 30 agreements were signed and 19 programs were launched



SAR 360 Bn.

Assets

How We Create Value

Riyad Bank is the third largest bank in Saudi Arabia, with a global presence to serve our customers and create value for our Stakeholders.

Our Vision

To be the most innovative and trusted financial solutions partner.

Our Mission

To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner.

Our Values

- We Care
- We Win
- We are One Team

Our Business

- Retail Banking
- Corporate Banking
- Treasury and Investments
- Riyad Capital



3rd largest

Bank in Saudi Arabia

Our Stakeholders

Our Shareholders

- 2.32 EPS
- 9.8 QFI%

Our Customers

- 2.3 Mn. Customers
- 82% Active Digital Customers

Our Employees

- 76 points OHI with 97% participation rate
- 39% female recruits in 2022

Our Brand*

- SAR +6.6 Bn. Brand Value
- 84% Customer Satisfaction Rate on Riyad Bank products and services
- AA Brand Rating

Our Communities

- Committed to ESG with our "Bukra corporate and social responsibility program: targets 14 of 17 UN SDGs
- Mowaamah: The Bank still maintains the gold category of the "Mowaamah Certificate" in creating a supportive work environment for people with disabilities

*Brand Finance



14 SDGs

Bukra program targets

Strategy and KPIs

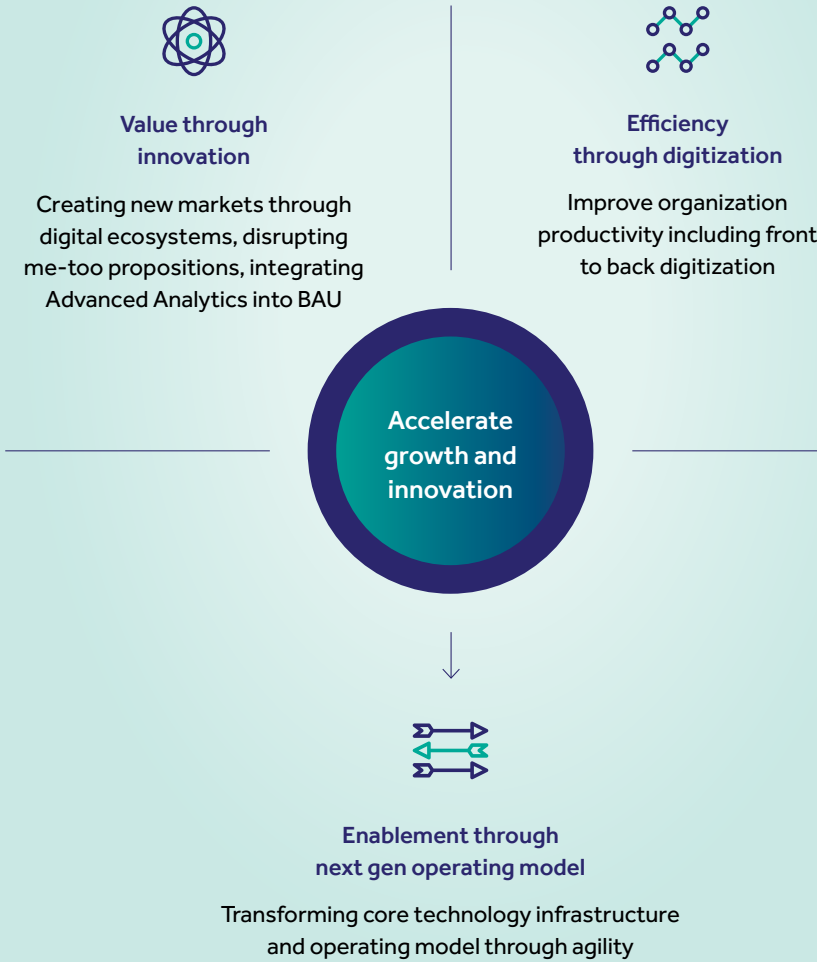
Accelerating growth and innovation

Riyad Bank is committed to creating Shareholder and Stakeholder value by accelerating growth and innovation. Our customer-centric, 5-year corporate strategy launched in 2021 enables every individual across the Bank to work in unison to overcome challenges, capture opportunities and pursue our vision towards a better future together. Fully aligned with the goals of Saudi Vision 2030 and our commitments to corporate sustainability, our strategy allows the Bank to pursue our business ambitions while contributing to the greater good and the success of the Kingdom.

Our Strategic Drivers

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Our strategy will accelerate the Bank’s growth and innovation, unlocking value in new and existing segments through innovative products and services while driving continuous improvement in customer experience and service.



Our Strategic Pillars

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By 2025, our new corporate strategy identified several targets to be achieved to make Riyadh Bank the best bank in the Kingdom through 4 key pillars:

Strategic Pillar	Most Profitable	Most Efficient	Most Innovative and Digitally Enabled	Bank of Choice
Description	We aim to be the most profitable bank in the Kingdom vs. our peers.	We aim to be the most efficient and effective bank in the Kingdom vs. our peers.	We aim to be the most developed, innovative and digitally enabled bank in the Kingdom.	We aim to be the Kingdom's Bank of Choice for customers and the best working environment for our employees.
Success Measurement Criteria	Return on Equity	Different Operational Efficiency and Productivity Ratio	Different Digitally Enabled Ratio	Customers and Employees Satisfaction indexes, and OHI.
2022 Achievements	<ul style="list-style-type: none">• RoE: 14.5% (third in the KSA)• ROA: 2.05% (second in the KSA)	<ul style="list-style-type: none">• Cost saving of SAR c.190 Mn. in 2022 through cost saving initiatives• Cost to Income Ratio: 32.4%	<ul style="list-style-type: none">• More than 72% of new customers were attracted through digital channels• More than 82% of our customers have registered on the digital services	<ul style="list-style-type: none">• OHI: 76• The human capital sector won 3 awards presented by CIPD: Best Coaching and Mentoring initiative, Second Place for Best Recruitment and Talent Management strategy, Second Place for Most Impactful Diversity and Inclusion Initiative• 84% in customer satisfaction index from Saudi Central Bank



Financial Results

Our financial position

Riyad Bank achieved SAR 7,019 Mn. as net profits for the 12-month period ending on 31 December, 2022, an increase of 16.5% over the same period of the previous year, which amounted to SAR 6,025 Mn. Considering the current economic changes and challenges, Riyad Bank continued to focus on the main banking activities and maintain its financial position, net loans and advances increased by 11.5%, amounting to SAR 242,365 Mn., as compared to SAR 217,290 Mn. for the previous year. Customer deposits increased by 13.4% to SAR 240,007 Mn., as compared to SAR 211,678 Mn. in 2021. Assets amounted to SAR 359,653 Mn., compared to SAR 325,736 Mn. for the previous year, with an increase of 10.4%.

Total operating income amounted to SAR 13,599 Mn. during the 12 months ending on 31 December, 2022, compared to SAR 11,568 Mn. for the same period in 2021, with an increase of 17.6%.

Reflecting on the strength of Riyad Bank's assets and the diversity of its financing and investment products, Riyad Bank was able to achieve an increase of 21.2% in net special commission income, which amounted to SAR 10,052 Mn. in 2022, compared to SAR 8,293 Mn. for the same period in 2021. Earnings per share increased to SAR 2.32 as compared to SAR 2.01 for the previous year.

The increase in Riyad Bank's net profits in 2022 is due to a 17.6% increase in total operating income, and a 21.2% increase in net special commission income as compared to the previous year.

Material differences in operating results compared to the previous year

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Description (SAR Mn.)	2022	2021	Change	Change %
Net income after zakat	7,019	6,025	994	16.5%
Total operating income	13,599	11,568	2,031	17.6%
Net special commission income	10,052	8,293	1,759	21.2%
Earnings per share	2.32	2.01	0.31	15.4%
Total assets	359,653	325,736	33,917	10.4%
Net investments	52,196	58,637	(6,441)	-11.0%
Net loans and advances	242,365	217,290	25,075	11.5%
Customer deposits	240,007	211,678	28,329	13.4%

*Certain comparative figures have been reclassified to conform to the current period's classifications.

A summary of Riyad Bank's financial results during the past 5 years

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A) The following is an analysis of the most important items of the consolidated statement of financial position:*

Description (SAR Mn.)	2022	2021	2020	2019	2018
Assets					
Cash and balances with banks and other financial institutions and Saudi Central Bank	53,980	43,232	55,579	33,924	27,352
Loans and advances, net	242,365	217,290	191,347	173,982	151,025
Investments, net	52,196	58,637	56,450	53,361	47,993
Property, equipment and other real estate	3,774	3,020	2,752	2,435	1,927
Other assets	7,338	3,556	3,961	2,086	1,603
Total assets	359,652	325,736	310,088	265,789	229,900
Liabilities					
Balances with banks	38,760	43,134	41,789	13,124	8,581
Customer deposits	240,007	211,678	203,039	194,518	169,822
Other liabilities	24,712	23,624	20,905	17,575	14,723
Total equity	56,173	47,300	44,355	40,571	36,774

*Certain comparative figures have been reclassified to conform to current period classifications.

B) The following is an analysis of the most important items of the consolidated income statement:*

Description (SAR Mn.)	2022	2021	2020	2019	2018**
Total operating income and Riyad Bank's net share in the associates' profits	13,519	11,535	11,224	10,870	9,018
Total operating expenses	5,690	4,817	5,740	4,638	4,302
Net income after zakat	7,019	6,025	4,715	5,602	3,092
Earnings per share (SAR)	2.32	2.01	1.57	1.87	1.03

*Certain comparative figures have been reclassified to conform to current period classifications.

** Includes the effect of settling zakat claims for previous financial periods.

Geographical analysis of the total revenues of Riyad Bank and its subsidiaries

The total revenues for the period ending on 31 December, 2022 amounted to SAR 11,575 Mn. from operations inside the Kingdom, and SAR 2,024 Mn. from operations outside the Kingdom.

Geographical analysis of the total revenues of Riyad Bank and its subsidiaries within the Kingdom (SAR Mn.):

Year	Within the Kingdom of Saudi Arabia			Total revenue from within the Kingdom
	Western region	Central region*	Eastern region	
2022	2,442	6,858	2,275	11,575

* The amount specified for the central region includes revenues from central investments related to the investment and treasury sector, amounting to SAR 3,655 Mn. These are not linked to a specific geographical sector within the Kingdom. It also includes revenues related to other regions that cannot be separated.

Geographical analysis of the total revenues of Riyad Bank and its subsidiaries from outside the Kingdom:

Year	Outside the Kingdom of Saudi Arabia					Total revenues from outside the Kingdom (SAR Mn.)
	GCC countries and the Middle East region	Europe	North and Latin America	Southeast Asia	Other regions	
2022	1,007	372	472	23	150	2,024

Dividends

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Riyad Bank complies with the relevant applicable regulations, and aligns with the below policies when distributing profits to Shareholders:

- 25% of the net profits shall be deducted to form the statutory reserve. The deduction may be stopped when the total reserve reaches the amount of the paid-up capital.
- Based on the recommendations of the Board of Directors and the approval of the General Assembly, the determined profits shall be distributed to the Shareholders from the net profits, according to the number of his shares.

The Board of Directors recommended that the dividends be distributed as follows:

	(SAR'000s)
Retained earnings from 2021	4,855,111
Net profit after zakat for the year 2022	7,019,322
Total	11,874,433
To be allocated and distributed as follows:	
Sale of equity instruments carried at fair value through other comprehensive income	895,500
Cash dividends distributed to Shareholders for the first half of 2022	(1,500,000)
Proposed cash dividends to be distributed to Shareholders for the second half of 2020	(1,950,000)
Costs of issuing first tranche Sukuk	(64,673)
Transferred to the statutory reserve	(1,754,830)
Retained earnings for the year 2022	7,500,430

Riyad Bank distributed profits to Shareholders on 11 August, 2022 for the first half at 50 Halalas per share. The rest of the profits proposed to be distributed to Shareholders for the second half of the year, at 65 Halalas per share, will be distributed, if approved by the General Assembly, bringing the total distributions for the full year 2022 to SAR 3,450 Mn., at SAR 1.15 per share. This is equivalent to 11.5% of the nominal value of the share, after deducting Zakat.

Bank's Credit Rating

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Rating Agency	Long-term	Short-term	Future Outlook
Fitch	BBB+	F2	Positive
Standard & Poor's	BBB+	A-2	Positive
Moody's	A-2	P-1	Stable

Finance and Debt Securities Issued

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The Bank successfully closed its inaugural USD 750 Mn. Additional Tier 1 (AT1) Sustainability Sukuk in February 2022, making it the first sustainable AT1 Sukuk globally. The profit rate of 4% per annum is equivalent to the lowest credit spread ever achieved by a GCC bank for an AT1 Sukuk. The orderbook was 4.3 times, which confirms the confidence that investors have placed in the Bank's strategic direction, its Board of Directors and the Management team.

In addition, the Bank issued a Tier 1 Sukuk worth SAR 3.75 Bn. with a yield of 5.25%, which is also the lowest spread for a Tier 1 Sukuk achieved by a local bank.

Riyad Bank also confirms the following:

- There are no debt instruments issued by the subsidiaries.
- There are term loans due from subsidiaries with a local bank, amounting to SAR 259 Mn. as at 31 December, 2022.
- The Bank did not issue or grant any convertible debt instruments, contractual securities, subscription rights notes or similar rights during 2022.
- The Bank did not issue or grant any conversion or subscription rights under convertible debt instruments, contractual securities, subscription right memorandums, or any similar rights during 2022.
- The Bank, nor any of its subsidiaries, has not made any refund, purchase or cancellation of any redeemable debt instruments.

Disclosure of Treasury Shares held by Riyad Bank and details of their uses

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Riyad Bank does not hold any treasury shares.

Accounting Standards Followed

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The Bank prepares the financial statements in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank. These are audited by the external auditors of the Bank in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Certified Public Accountants and in line with the Banking Control Law and the provisions of the Companies Law in the Kingdom and the Bank's Articles of Association. There are no fundamental differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Statutory Payments



There are no final statutory payments due for Riyad Bank for the year 2022, except for what is mentioned in the descriptions below:

Description (2022)	SAR'000s	
	Paid	Due
Zakat – Tax and Customs Authority (ZATCA) (regarding the fiscal year 2022)*		809,115
Taxes borne by Riyad Bank on behalf of some non-resident entities (according to the terms of the contract)	58,556	-
Taxes owed to Riyad Bank foreign branches in favor of official authorities outside the Kingdom	22,654	-
GOSI	112,713	-
Visa and passport costs	2,511	-
Any other regular payments**	9,031	-

* Zakat will be paid for the year 2022, no later than 30 April, 2023.

** Governmental fees.

Riyad Bank is committed to the agreement concluded with ZATCA on 20 December, 2018 to settle Zakat claims for the previous fiscal years until the end of the fiscal year 2017, in return for a payment of SAR 2,969,722,864. An advance payment of this settlement was made during 2018, with a commitment to pay the rest in 5 equal installments over 5 years, commencing on 1 December, 2019 and ending on 1 December, 2023. The first, second, third, and fourth installments were paid in 2019, 2020, 2021, and 2022, respectively.

Statutory Violations and Penalties



Riyad Bank applies, in the course of its daily business, all banking systems, regulations and rules issued by the supervisory authorities. Riyad Bank is also keen to limit the occurrence of any violations and to take the necessary corrective actions if they occur.

Penal decisions of the Saudi Central Bank:

Violation Subject	Fiscal Year 2022		Fiscal Year 2021	
	Number of penal decisions	Total amount of fines (SAR)	Number of penal decisions	Total amount of fines (SAR)
Violation of the Central Bank's supervisory instructions	31	16,348,060	19	6,704,320
Violation of the Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing	2	400,000	6	2,126,000
Violation of the instructions of the Central Bank for customer protection	3	4,124,040	8	4,209,250
Violation of the Central Bank's instructions for due diligence	0	0	0	0
Violation of the Central Bank's instructions regarding the level of performance of ATMs, points of sale and SADAD machines	6	115,000	5	407,367

The statutory violations and penalties imposed by the supervisory, regulatory or other judicial authorities in 2022:

Authority	Classification of the violation	Number of fines	Total amount of fines (SAR)
Secretariats and other government agencies	Fines for ATN plates and site licenses, and other fines	15	34,900

Transactions with Related Parties



The following statement shows the balances resulting from related party transactions as on 31 December, 2022, which took place during the normal business cycle of Riyad Bank, according to the definition of related parties in Article 1 of the Corporate Governance Regulations:

Description	SAR'000s
	Total
Loans and advances	7,125,700
Customer deposits	28,810,141
Derivatives (at fair value)	(2,805)
Commitments and contingencies	10,412,915
Special commission income	312,259
Special commission expenses	751,188
Fee and commission income, net	429,764
Miscellaneous operating expenses	355,007

Transactions with related parties include a set of business contracts that are carried out for the account of Riyad Bank, in which the members of the Board of Directors have a direct or indirect interest, they are as follows:

Nature of the contract	Related Party	Owner	Contract expiry	Annual value of the contract (SAR)
Renting the headquarters of the Sixtieth Street Branch 286 for exhibitions No. (1,2,3,5) - Riyadh.	Member of the Board of Directors, Mr. Hani Abdullah Al-Juhani, works at Hassana Investment Company, which is the investment arm of the General Organization for Social Insurance.	The General Organization for Social Insurance	08/08/2026	600,000
Renting the General Administration Building (Granada Oasis) A1.	Member of the Board of Directors, Mr. Hani Abdullah Al-Juhani, works at Hassana Investment Company, which is the investment arm of the General Organization for Social Insurance.	The General Organization for Social Insurance	14/08/2024	31,068,444
Renting 20 parking spaces in Granada Business for Relationship Managers in the Corporate Banking sector	Member of the Board of Directors, Mr. Hani Abdullah Al-Juhani, works at Hassana Investment Company, which is the investment arm of the General Organization for Social Insurance.	The General Organization for Social Insurance	14/08/2022, under renewal	199,226
Renting the Al-Muraba branch 218 King Abdulaziz Street, Riyadh	Member of the Board of Directors, Mr. Hani Abdullah Al-Juhani, works at Hassana Investment Company, which is the investment arm of the General Organization for Social Insurance.	The General Organization for Social Insurance	20/07/2023	400,000
	Mr. Moataz bin Qusai Al-Azzawi, member of the Board of Directors of the Company.	Etihad Etisalat Company - Mobily	17/02/2024	447,888
Contract to provide 300 SIM cards	Mr. Moataz bin Qusai Al-Azzawi, member of the Board of Directors of the Company.	Etihad Etisalat Company - Mobily	31/03/2023	489,600
SAMA Joint Network (SJN) Connectivity Renewal + Upgrade	Mr. Moataz bin Qusai Al-Azzawi, member of the Board of Directors of the Company.	Etihad Etisalat Company - Mobily	24/07/2024	97,200
Renting an ATM site at the Marriott Hotel - Riyadh	Chairman of the Board of Directors Eng. Abdullah Mohammed Al-Essa, Chairman of the Board of Directors of the Company.	Dur Hospitality Company	22/11/2025	30,000
Renting an ATM site for Umm Al-Qura Makarim Hotel - Makkah Al-Mukarramah	Mr. Muhammad Ibrahim Al-Essa, the father of the Chairman of the Board of Directors of the Bank, Mr. Abdullah Muhammad Al-Essa.	Mohammed Ibrahim Al-Essa & Sons Co	20/02/2021	18,000

Disclosure of Small, Medium and Micro Enterprises Data

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1- Qualitative disclosure:

The approved definition of small, medium and micro enterprises:

Micro, SMEs were classified according to the definitions of the Saudi Central Bank.

Initiatives taken by Riyad Bank to support these facilities, in addition to the number of employees, training initiatives and workshops provided to customers and employees for the year 2022:

2022	Micro	Small and medium *
Sector they belong to	Personal banking	Corporate Banking
Their administration	Branch network	SMEs
Number of employees serving the segment	28	187
Number of employees who have been given training courses	20	157
Number of training days provided to employees	58	280
Number of clients who have been given training courses	23,604	3,959
Number of workshops provided to clients	13,192	2,047
Number of training days provided to clients	230	61
Number of centers or branches where the segment provides its services to clients	All branches of Riyad Bank in all regions of the Kingdom serve a micro segment. SMEs centers	29

*According to the new classification, the SMEs segment was merged to become one segment

Awards obtained by the Bank in the micro, SMEs sector during the year 2022:

- Excellence in SMEs Services award from the Open Banking Services Forum.
- Best SME Bank in Saudi Arabia award by Euromoney.
- The "Finance Guarantee Program for SMEs (Kafala)" announced that Riyad Bank ranked first in terms of the value of financing, guarantees and the number of beneficiary enterprises for the sixth year in a row.

Initiatives taken by Riyad Bank to support these enterprises:

1. Product offering and development:

- Pilot launch of a digital financing platform for financing small and micro enterprises, in addition to opening current accounts and providing banking solutions related to cash management (points of sale, salary product) and others.
- Electronic integration with the "Finance Gateway" is a step that will contribute to increasing the support provided to SME clients and diversifying the financing opportunities available to them.
- The credit card policy for entrepreneurs has been approved by the Retail Banking Risk Management Committee.
- Coordination has been made with the SMEs Bank and Tamal regarding finalizing procedures related to risk acceptance criteria and business acceptance criteria for their products for microenterprises.

2. Programs and agreements:

- The Bank signed a cooperation agreement with Monshaat to develop businesses in the SMEs sector
- The Bank signed a cooperation agreement with Monshaat to educate SMEs on the best financial and financing practices
- The Bank signed a cooperation and strategic partnership agreement to launch joint financing with the SMEs Bank to provide financing products and solutions with competitive advantages

3. Opening of new centers:

- The inauguration of the Riyad Bank Center for SMEs in Riyadh, in the presence and patronage of the Minister of Commerce, Chairman of the Board of Directors of the SMEs General Authority, Dr. Majid bin Abdullah Al-Qasabi
- Launching the Riyad Bank Center for SMEs in Jeddah

4. Sponsorships and participation in exhibitions:

- The official sponsor of the Global Entrepreneurship Conference 2022
- Participation with the National Information Technology Development Program LEAP22, which is the largest international technology event ever hosted by the Kingdom
- The main sponsor of the entrepreneurship incubator affiliated to Asharqia Chamber
- The main sponsor of the SMEs Forum of Asharqia Chamber
- The main sponsor of the Entrepreneurship Center of the Riyadh Chamber, and of the Entrepreneurship Committee of the Riyadh Chamber
- The official sponsor of the e-commerce forum and exhibition "Ishop" in Hafr Al-Batin
- The main sponsor of the study, **"Mapping Riyadh's Tech Sector"**
- The main SMEs center of Riyad Bank in the city of Riyadh hosts the Entrepreneurship Center of the Riyadh Chamber
- The Bank participated in many awareness sessions with the Bank's partners from the chambers of commerce
- The Bank participated in many awareness meetings on the International Day for SMEs, in cooperation with establishments in various regions around the Kingdom
- The Bank participated in many awareness sessions with a group of partners to celebrate the International Day for SMEs organized by the United Nations

2- Quantitative disclosure:

2022	SAR'000s			
	Micro	Small	Medium	Total
Financing for small and medium enterprises - on-balance sheet items	3,992,919	10,055,979	20,782,825	34,831,723
Financing for small and medium enterprises - off-balance sheet items (Nominal Value)	1,087,945	3,470,136	8,887,803	13,445,884
On-balance sheet financing to small and medium-sized enterprises as a percentage of total on-balance sheet financing	3.14%	7.91%	16.35%	27.41%
Off-balance sheet financing to small and medium-sized enterprises as a percentage of total off-balance sheet financing	1.75%	5.57%	14.27%	21.58%
Number of financing (on and off- balance sheet)	5,333	15,988	15,310	36,631
Number of loan clients (on and off- balance sheet)	3,627	4,577	1,735	9,939
Number of secured financing from the "Kafala" program (on and off- balance sheet)	954	8,555	3,689	13,198
Total secured financing from the "Kafala" program (on and off- balance sheet)	308,963	3,992,892	3,841,692	8,143,547

2021	SAR'000s			
	Micro	Small	Medium	Total
Off-balance sheet financing to small and medium-sized enterprises as a percentage of total off-balance sheet financing	2,523,041	8,372,987	18,532,064	29,428,092
Financing for small and medium enterprises - off-balance sheet items (Nominal Value)	1,426,709	2,873,814	8,357,849	12,658,372
On-balance sheet financing to small and medium-sized enterprises as a percentage of total on-balance sheet financing	2.17%	7.21%	15.95%	25.33%
Off-balance sheet financing to small and medium-sized enterprises as a percentage of total off-balance sheet financing	2.62%	5.27%	15.34%	23.23%
Number of financing (on and off- balance sheet)	3,281	12,805	13,869	29,955
Number of loan clients (on and off- balance sheet)	2,116	3,414	1,420	6,950
Number of secured financing from the "Kafala" program (on and off- balance sheet)	819	6,941	3,420	11,180
Total secured financing from the "Kafala" program (on and off- balance sheet)	207,460	2,800,847	4,040,889	7,049,196

Operating Review

Advancing business performance

Retail Banking

2022 was a profitable, growth-oriented year with a lot of achievements, rooted in an aggressive campaign for digitalization and digital penetration. Innovation served as the foundation of all strategic initiatives, supporting the Division to attain a competitive edge, maximize customer value, and further grow sector activities.

Retail Banking continued to deliver on its strategy during 2022, making progress in line with its strategic objectives and creating value for the Bank. It continued its growth trajectory in assets, and liabilities, while customer deposits grew by 13.4% compared to 2021. Mortgage lending remained the Division's core product, posting 21% growth for the year.

The Division accounted for 29.4% of the Bank's gross operating income, and its contribution to overall net loans jumped to 37%, compared to 36% in 2021.

Customer experience efforts led to demonstrable results this year, with Net Promoter Scores (NPS) increasing across the board. Branches' NPS improved by 26% compared to 2021. ATMs scored 14% more than the year before. Riyadh Mobile and Riyadh Online NPS scores grew by 2%. The Call Center NPS climbed by 23% from 2021.

Importantly, this year, Riyadh Bank rolled out a new branch identity to strengthen and improve its presence and image in customer minds. The physical revamp began in select branches with an iconic look and feel, including the new Riyadh Bank logo and modern surroundings. Plans for continuing the rollout at other branches in 2023 have already been finalized.

Prestigious Achievements and Awards

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The achievements of Retail Banking helped the Bank to win several awards in 2022. The Government's Sakani Real Estate Initiative awarded us Best Development Bank for Real Estate Finance and Best Marketing Promotion for Real Estate Finance. Private Banker International named us winner of the Outstanding Private Bank for Growth Strategy, as well as runner up for Outstanding RM Training and Development Program. The Arabian Business magazine and PWM/The Banker Private Banking awarded us the Outstanding Private Bank for Growth Strategy for 2022.

Private and Affluent Banking

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Private Banking operates 3 dedicated centers servicing high net worth individuals in Riyadh, Jeddah and Al Khobar. The active Private Banking customer base rose by 13% in 2022, compared to the previous year. Total deposits grew by 8%. Total relationship value increased by 15%. Growth in Private Banking was due largely to offering diversified investment product suites to valued customers, served by highly qualified Relationship Managers.

2022 Retail Banking highlights

Net income

SAR 785 Mn.

Increased customer base

13%

Retail Banking continued to deliver on its strategy during 2022, making progress in line with its strategic objectives and creating value for the Bank.

Total deposits

8%

Contribution to operating income

29.4%

Branches' NPS improved by

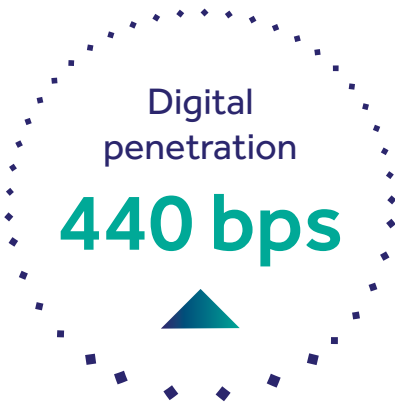
26%

ATMs scored more than the year before

14%

Total relationship value increased

15%



In line with the new branch aesthetic, the new Private Banking identity that was introduced in 2021 was rolled out for the Jeddah and Khobar centers this year. Riyadh Bank also launched its first private banking program for Relationship Managers, in partnership with Fitch Learning. The program aims to improve the Managers' technical and behavioral skills.

The Affluent Banking segment also continues to grow, with 32 Diamond Banking Centers and 167 Golden Banking Centers dedicated to attracting affluent customers and growing NIBs. The active Affluent Banking customer base increased by 2% in 2022 compared to 2021.

Accelerating Digital Transformation



Digitalization and customer experience went hand in hand in 2022, as Retail Banking continued to innovate to expand and satisfy its client base. Digital penetration climbed by 440 bps in 2022 compared to 2021. The number of new customers acquisition over digital channels increased by 15%.

Retail Banking won over customers with a host of new digital products and services in 2022. This included the soft launch of Bouki, a banking service solution that acts as a digital wallet for tech-savvy customers. We also soft launched our Bancassurance business, which will offer diversified financial planning and protection products, including travel, automotive, personal accidental coverage, business and investment insurance.

The Division piloted a digital solution for home buyers this year. The solution includes digital onboarding of customers to secure mortgage financing. Riyadh Bank is all set to launch commercial phase 1 of Edarah, a standalone mobile application for property management, as part of a digital disruptive home buying ecosystem.

We also added new options to TOKEN, the Kingdom's first standalone banking mobile app for children. Upgrades included target setting for young users and registration for mothers. Further, we signed a Memorandum of Understanding with Tatweer Education Holding Company, to enroll educational institutions to use the TOKEN platform.

Importantly, we further developed our digital propositions for MSME customers, with a prime focus on acquiring entrepreneurs and offering comprehensive business management tools, along with integrating with ecosystem players. Digital onboarding for small businesses was introduced in Q4 2022.

More digital developments are in the pipeline. These include sales journeys for credit cards, as well as digital propositions for mortgages and automotive financing for after-sales services. We also introduced push notifications for Retail Banking marketing related messages.

In-branch digitization continues, with the establishment of 100 self-service kiosks for customers to print debit and credit cards, request statements, and update their information. This year, we converted the in-branch personal loan customer journey to paperless.

Additionally, we implemented digital authentication via fingerprints to execute several in-branch products and service related transactions. We deployed mobile CRM infrastructure-enabled customer services to perform selected transactions via mobile devices.

Aligning with Vision 2030



Retail Banking's strategy aims to support growth of the Kingdom, in line with Saudi Vision 2030. Our work to offer comprehensive digital propositions for start-ups and new businesses synchronizes with the mandate to increase MSME and private sector contribution to GDP.

As part of the Vision, we are committed to increasing the national household savings rate and promoting financial literacy. We are working to introduce new Islamic products and savings plans, to add to our current Edikhar and Wazen offerings. The Bancassurance program will also facilitate long-term savings by customers, aligned with Vision 2030.

Retail Banking is participating in the Vision 2030 priority to increase home ownership for Saudi citizens, as part of our drive to diversify our consumer product lines. We expanded our range of financing options to include self-construction, buyouts, off-plan revamps, land plus loans and mortgage refinance. New digital mortgage propositions and the Edarah standalone mobile app for property management will also support home ownership aspirations in the Kingdom. To the same end, this year we signed mortgage partnership agreements with major developers.

Looking Forward to 2023



The year ahead will be a competitive one, particularly on the front of digitalization, due to an array of new competitors and fintech's entering the ecosystem. We plan to stay ahead of the market by improving efficiencies and accelerating innovation, with a number of strategic initiatives underway.

In 2023, we will accelerate rolling out our new branch identity and will further scale up and optimize our branch network. We will identify white spaces to expand our network, relocate low-performing branches, and readjust branch types and architecture. We will also improve branch efficiencies by integrating teller and customer service job profiles, unifying the role of customer-facing universal banker. Further, we will operationalize agent banking with our selected strategic partners.

We move forward amplifying in-branch digitization by moving more customers to automated channels. We continue to automate key processes. We are also identifying high-volume customer requests to pursue innovative digital solutions. Plans for a new queuing system are underway to align with our new branch identity. We also continue our drive to go paperless and to expand digital authentication to further enable our sales and services.

2023 will be a year for disruption across Retail Banking. We will continue to introduce digital sales journeys for cards and enhance the digital process for personal loans. For MSMEs, we will focus on the acquisition of entrepreneurs, offering comprehensive business management tools and integration with key ecosystem players. To serve our Affluent Banking customers, we will launch fully digital offerings that integrate family banking with wealth planning, investments and other products customized to their needs. Regarding mortgages, we aim to enhance our digital homebuilding

ecosystem by generating more partnerships that will bring value to our customers. We also aim to disrupt automotive finance by developing a digital end-to-end system for purchasing cars through partners.

2023 will see a major re-platforming of our digital channels, specifically Riyadh Mobile. The platform will be upgraded to employ highly flexible, cutting-edge technologies that will improve turnaround time on product and service launches.

Plans are underway to further leverage Bouki by adding more services, features and customized product offerings to the digital wallet. We will also enhance our Hassad Rewards loyalty platform, to further improve customer loyalty.



Corporate Banking

Riyad Bank's Corporate Banking maintained momentum during 2022 to deliver exceptional results, enabling synergies across businesses, and building future-ready capabilities as embodied in one of our values: "We are One Team". With focus on providing exceptional customer experience across all our services and channels, we accelerated our targeted transformation and innovation to deliver sustainable value for our customers and our business.

This year Corporate Banking continued to develop a strong franchise by supporting the Kingdom's economic diversification. We financed and facilitated expansion of various businesses from start-ups to large corporates and multinationals. The Division was once again a key player in the Saudi Vision 2030, participating in a wide range of development initiatives financing related to mega projects, privatization, infrastructure, education, healthcare, SMEs, private sector, tourism and entertainment.

We strengthened our efforts in 2022 to deliver maximum value to customers, with a particular focus on customer segmentation. The extensive application of data analytics and market intelligence enabled the Division to create strategies and unique value propositions across corporate segments, ranging from SMEs to large corporates. This facilitated better targeting, resourcing, channel and product alignment, capability building and marketing alliances.

Transformation Strategy 2025

Corporate Banking is actively engaged in the Bank's Transformation 2025 strategy to become the "Best in Class" bank in the Kingdom. With clear goals and targets, we are undertaking initiatives to support this aspiration.

The Division is leading its own transformation by focusing on value creation through innovation and improving efficiencies through digitization and the digitalization of processes. We are also enhancing client satisfaction scale and service speed by leveraging synergies and improving our relationship management and operating frameworks to better align them with market dynamics, facilitated by the RM Workbench project. The Division also took steps for balance sheet growth and improvement in financial KPIs.

Central to our transformation strategy is our investment in human capital. We are promoting the Bank's credentials and intellectual capital through regular training. We implemented a talent development and retention plan during 2022, that includes assessing current and anticipated capabilities and gaps of all our people. The goal is to offer a range of targeted development opportunities that will equip Corporate Banking achieve its targets in the coming years. Our efforts to enhance communication and coordination within Corporate Banking teams are already paying off with improved customer outcomes and experiences.



2022 Corporate Banking highlights

A Year of Record Results

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In 2022, Corporate Banking held its weight by contributing to Riyad Bank's performance as the fastest-growing bank in the Kingdom. The Division accounted for 49% of the Bank's total income, compared to 37% in 2021 and it earned 41% of the Bank's total operating income, compared to 37% in 2021.

Corporate Banking's net income increased by 56% in 2022, from SAR 2.47 Bn. in 2021 to SAR 3.84 Bn. Similarly, net income before Zakat for 2022, mainly due to lower impairment charges and higher fees and net commission.

Total operating income totaled SAR 5.64 Bn. in 2022, an increase of 31% from 2021. Net special commission income increased year-on-year to SAR 4.14 Bn., while fees and other income increased by 20% to SAR 1.48 Bn. Operating expenses totaled SAR 1.79 Bn. for 2022, down 3.0% compared to SAR 1.84 Bn. in 2021.

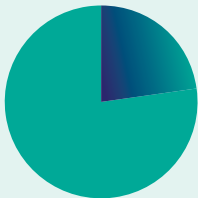
Impairment charges for Corporate Banking decreased to SAR 728 Mn., a reduction of 21% compared to 2021, while Corporate Banking assets increased by 11% in 2022 to SAR 16.2 Bn.

Financial transactions initiated digitally

80%

Market share for SME credit facilities

22%



Corporate Net income

SAR 3.84 Bn.



Financing Green Investments



This year, the Division continued its participation and expanded its commitment to funding green projects. This includes the National Renewable Energy Program; a multifaceted renewable energy initiative designed to balance the domestic power mix and reduce carbon initiatives. Overall, the Bank helped finance 28 green and renewable energy projects, with a contribution of SAR 7.4 Bn. towards a total project cost of more than SAR 52 Bn.

Corporate Banking also accelerated the transition to a low-carbon, green economy through Riyadh Bank's recently issued USD 750 Mn. ESG Bond. The investment tool funds various renewable and green projects in power, water and other sectors. The Division is also encouraging businesses in its SME segment to drive impactful corporate social responsibility practices by participating in social projects.

Aligning with Saudi Vision 2030



Corporate Banking is a major player in the Bank's strategy to achieve the aspirations of Saudi Vision 2030 and the associated National Transformation Program. Our support for the Kingdom's goals includes promoting the development of the private sector, building economic partnerships and contributing to the financing of infrastructure projects.

In 2022, we launched the "Culture Road" program, in partnership with the Cultural Development Fund, to finance projects in sixteen diverse cultural sectors, and it aims to stimulate local and foreign investors to enter and expand in the promising culture sector.

Two official partnerships were concluded with the Saudi Industrial Development Fund to launch the Working Capital Support Program and the Guarantees Program, to support companies operating in the field of manufacturing, mining, energy, industrial services, logistics and support services.

We signed 3 other formal agreements to support Vision 2030 goals. These included with the Economic Cities and Special Zones Authority, King Salman Park and the National Center for Privatization (NCP).

Corporate Banking is heavily involved in the Government's privatization strategy and is working with the National Center for Privatization (NCP) to help develop local businesses. We are also actively promoting the participation of foreign investors who will bring their know-how and technology to the Kingdom. Further, our focus on SMEs is in line with the Government's targeted support program, as well as efforts to increase private sector contribution to the national GDP.

Importantly, we participated in a plethora of large-scale Vision 2030 initiatives via syndicated funding. This included mega projects, such as NEOM, Red Sea, Qiddiya and Amaala – all of which are expected to expand economic activity and create jobs across the Kingdom. We also helped finance a number of new projects and investments in the tourism and entertainment sectors, which the Government has targeted to enhance economic activity, increase domestic spending and grow the labor market.

Supporting SMEs



Corporate Banking's focus on SMEs is in line with the Government's targeted support program, as well as efforts to increase private sector contribution to the national GDP.

According to the Saudi Central Bank, Riyadh Bank held 22% of the market for SME credit facilities in Saudi Arabia, as of the third quarter of 2022. We expect our market share to continue to grow, with the onboarding and winning of more than 1,000 new SME borrowing relationships this year.

In 2022, we dynamically pursued SMEs through a number of initiatives. We were the main sponsor of the Global Entrepreneurship Congress 2022, which took place in Riyadh. We collaborated with the Government's National Technology Development Program as a participant in the Kingdom's largest-ever technology event, LEAP22. We also sponsored the inauguration event for the Asharqia Chamber Entrepreneurship Incubators.

Additionally, Corporate Banking signed a collaboration agreement with Monsha'at to support SMEs through Riyadh Bank's flagship centers. The Division also participated in 4 awareness sessions with partners to recognize United Nations Small and Medium Enterprises Day.

Expanding Digital Offerings



The Bank's expansion of its digital footprint demonstrated a strong payoff this year, with approximately 80% of financial transactions from our corporate customers being initiated digitally. This is largely due to enhanced capabilities under our Global Transaction Banking (GTB) franchise, which covers cash management and trade finance. As a market leader, GTB implemented a range of new technologies in trade finance and global transaction services, such as robotics (Robotic Process Automation), which

improved overall operational efficiency and enabled faster delivery of services to our corporate customers.

As part of continuous digital enablement, lending operations have also been streamlined with a "hub and spoke" model, by integrating several back-end applications through APIs into one platform, enabling the operations team to perform tasks more efficiently. The launch of Banking as a Service (BaaS) expanded our market share, thanks to delivering services digitally with an efficient card settlement process.

The Bank is now part of Muqassa (one of "Tadawul Group" companies), which enables investors to activate their clearing services digitally. The year 2022 has witnessed various initiatives to enhance our customer digital experience. The Bank also upgraded its existing trade finance system to speed up the processing of transactions and increase customer satisfaction. The

system now offers advanced features and the automation of processes related to letters of credit, letters of guarantee, exports and collections.

The Bank also expanded its digital efforts to support the Kingdom's goal of streamlining financial and business services. This included integrating operations with the Wethaq and Etimad platforms to issue letters of guarantee. We also underwent an integration with the Small and Medium Enterprises General Authority's, Monsha'at, Funding Gate portal to better support our SME customers by providing access and expanded funding opportunity's.

Finally, as part of our contribution to the Saudi Vision 2030 goal to grow a cashless society and promote business and tourism, we announced ourselves as the first bank to accept Discover credit cards in the Kingdom.



Green and Renewable Banking

Projects financed

28

Total funding

SAR 7.4 Bn.



Award-Winning Performance

Our Corporate Banking activities helped the Bank to win several awards and recognitions in 2022. These included:

- Saudi Trade Finance Summit named us 'Saudi Arabia's Best Trade Finance Bank of the Decade'
- The Open Banking Forum selected us for our 'Outstanding Contribution to SMEs'
- Euromoney named us 'Best Bank for Digital Solutions in Saudi Arabia', as well as 'Best Bank for SMEs – Digital Solutions in Saudi Arabia'
- The Small and Medium Enterprises Financing Program, Kafalah, recognized us as the top performing bank, in terms of value of guarantees and number of enterprises benefitted for 5 consecutive years
- Monsha'at identified us as one of the top 5 lending banks through their Funding Gate for SMEs. They also recognized us as their Funding Gate Partner of the Month for January 2022

Looking Forward to 2023

The Bank is poised to maintain our growth in 2023 by continuing to develop organizational infrastructure and processes that are in harmony with the markets. We are working to align our Corporate Banking systems and business internally and externally. We will continue to enhance and expand our client base, as well as strengthening our partnerships with government entities and participating in initiatives launched under the umbrella of the Saudi Vision 2030.

The GTB business will focus on growing its franchise and optimizing capital utilization. Our strategy includes cash management products and trading finance by launching new Corporate Banking solutions, such as supply chain finance and factoring. We will also take advantage of cross-selling opportunities across the Bank to provide customers with service excellence and targeted product offerings.

In terms of outlook, we see the demand for financing growing due to the Saudi Vision 2030 diversification and privatization initiatives, as well as growth and refinancing needs of the Kingdom's corporate sector, including SMEs.

Additionally, the fight against climate change will present a massive opportunity for the Bank to mobilize financing to aid corporate clients' transitions to net zero carbon emissions. Saudi regulators, like others around the world, are focused on the systemic impact of climate risk on financial markets and stability. Riyadh Bank intends to be an important partner in this effort.



Treasury and Investments

Treasury and Investments is responsible for the management of liquidity and the Bank's proprietary investments. It also offers a wide range of products and hedging solutions to our corporate and retail customers. The Division accounts for 22% of the Bank's total operating income.

Treasury and Investments efficiently managed the Bank's liquidity - maintaining a solid liquidity position and comfortable liquidity and capital ratios to help the Bank's growth by successfully issuing AT1 Sukuks this year.

The Division mitigated the risk to the Bank's investments by actively implementing hedges and raising cash levels before the rise in interest rates. This strategy served to protect a significant portion of our portfolio value. Also, disposal of the investments was well timed, which resulted in healthy capital gains and preservation of capital.

2022 was also a year in which the implementation of the second phase of our 5-year Sales Strategy began bearing fruit and lead to a remarkable successful 12 months. Furthermore, despite this year's interest rate volatility, the speed and agility in adjusting our investment strategies alongside efficient management of our liquidity, actively supported revenue growth across all business areas.

Additionally, we finalized a comprehensive IBOR transition project to ensure a smooth transition to the new reference rates putting the Bank in compliance with international regulations.

Record-Breaking Deals

In 2022, we successfully issued a USD 750 Mn. Additional Tier 1 (AT-1) Sukuk, making it the first ESG Tier 1 Sukuk globally. The Sukuk was issued at the lowest credit spread ever achieved by a GCC bank for a Tier 1 Sukuk.

Furthermore, we issued a SAR 3.75 Bn. AT-1 Sukuk at 5.25% – the lowest credit spread achieved by a local bank in the AT-1 space.

Delivering Value

In 2022, Treasury and Investments contributed SAR 2.94 Bn. to the Bank's gross operating income. The Division's contribution to commission income was SAR 862 Mn. This was a 42.3% increase from SAR 606 Mn. in 2021.

Our FX revenue increased to SAR 665 Mn., up 68.7% from SAR 394 Mn. in 2021.

While raising cash levels in anticipation of interest rate hikes affected this year's income, the decision helped to protect the value of the Bank's investment assets on a significant level. Over the year, we managed the balance sheet in an efficient manner, we also continued to diversify our funding base and ensured all regulatory liquidity ratios stayed within appropriate range according to the Bank's prudent policies.

Supporting Vision 2030

Treasury and Investments was an active participant in the financing of numerous projects related to Saudi Vision 2030. The Division was dynamically involved in both the primary and secondary markets for Government bonds and Sukuks, in SAR's and US Dollars – supporting the National Debt Management Center as well as the overall national economy. We participated in the Saudi Real Estate Refinance Company bonds issuance, which supports the housing market. In addition, we contributed to the hedging of loans associated with the Vision 2030 energy projects.

Importantly, we issued ESG bonds, with a size of USD 750 Mn., in line with the Saudi Green Initiative and Vision 2030, toward its goal to achieve Net Zero by 2060. The framework of this issuance covers a diverse range of eligible sustainable activities which are linked to Riyadh Bank's ambition to become a regional ESG leader as it looks to drive green and social development in the Kingdom in line with Vision 2030 and Riyadh Bank's own flagship sustainable finance program, namely its Bukra initiative.

Strategically, the ESG issuance was a key shift towards a new form of sustainable funding. It was also an opportunity to diversify the Bank's geographic footprint, with the issuance promoting its credit abroad.

Upgrading Systems and Processes

Treasury and Investments achieved several milestones and KPIs in pursuit of the Bank's 2025 goals. The strategy calls for the creation of value through innovation, enablement through next generation operating models and efficiency through digitization.

We successfully initiated the upgrade of our front-to-back treasury system platform. The improvements will enable more efficient customer service, as well as better process integration and monitoring.

Our early adoption of digital communication with our corporate customers gave the Bank a clear edge, allowing us to further increase our FX volume and market share. We successfully finalized the implementation of phase one of our digital RBFx platform, enabling the Bank's corporate clients to cover their FX Spot requirements with live FX prices and at very competitive rates. We are working now on extending its scope by rolling it out to other business segments.

Growing Relationships

On the back of high market volatility and rising interest rates, Treasury and Investments worked closely with our global partners to provide our clients with the most innovative tailor-made financial solutions. This included some first-of-a-kind Hedging Solutions on Soft Commodities along with further expanding our commodity leasing offering to include more underlying assets.

We also executed a number of new relationship master agreements with domestic and international banks to provide us with wider market access and better product pricing. Several of these agreements are currently in the advanced stages of execution.

The Division expanded geographically by working alongside Riyadh Bank London branch to successfully cover the hedging needs of the clients of our London branch.

A Positive 2023 Outlook

After a challenging 2022 – on the back of global inflationary pressure, rate hikes, and geopolitical uncertainties – we expect 2023 to provide a normalized market environment. Treasury and Investment plans to gradually, and opportunistically, add investments while enhancing portfolio yield and managing risk efficiently.

We plan to continue with the implementation of phase 3 of our 5-year Sales Strategy, relying primarily on people and services, and thereby further increasing our fee-income by 2025. We will also broaden our client base by acquiring new customers through FX, hedging solutions and innovative services.

Also underway is a project to consolidate the treasury system to become more efficient in terms of treasury-related processes and controls, as well as offering enhanced product handling capabilities.



Prestigious Achievements and Awards

Awarded Bonds, Loans and Sukuk Middle East Awards Winner for Financial Institutions Deals, presented by GFC Media Group

Bank Treasury and Funding Team of the Year, presented by GFC Media Group

Deal of the Year Award for Regulatory Capital, presented by Islamic Finance News

Subsidiaries

Division	Capital (SAR)	Total Shares	Ownership %	Main Activity
Riyad Capital	500,000,000	50,000,000	100%	Carrying out trading activities as principal and agent, undertaking coverage, establishing investment funds and portfolios and managing them, in addition to arranging and providing consulting, stock keeping services, portfolio management and trading.
Ithraa Riyadh Real Estate	10,000,000	1,000,000	100%	Keeping and managing assets provided by customers as collateral and a guarantee, and the sale and purchase of real estate for financing purposes for which the company was established.
Riyad Company for Insurance Agency	500,000	50,000	100%	Works as an agent for selling insurance products, including their own and those managed by other main insurance companies.
Curzon Street Properties Limited	9,350,760	2,000	100%	A company established for the purpose of owning properties.
Riyad Financial Markets Limited	187,500	50,000	100%	Performing financial derivative transactions and repurchase agreements with international parties on behalf of Riyad Bank.
Riyadh Esnad Company for Human Resources	500,000	500,000	100%	Providing operational human resources services exclusively for Riyad Bank and its subsidiaries.



Ithraa Riyadh Real Estate Company

Ithraa Riyadh Real Estate Company is a limited liability company, wholly owned by Riyad Bank, with a paid-up capital of SAR 10 Mn., comprised of 1 million shares with a nominal value of SAR 10 per share. Registered in Saudi Arabia and headquartered in Riyadh, the company provides services for holding and managing the discharged assets of the owner and others, including guarantees and sale and purchase of real estate.

Curzon Street Properties Limited

Curzon Street Properties Limited is a wholly owned subsidiary of Riyad Bank and incorporated in the Isle of Man for the specific purpose of owning real estate in the United Kingdom.

Riyadh Financial Markets Limited

Riyadh Financial Markets Company is licensed in the Cayman Islands, and it specializes in implementing derivative transactions and repurchase agreements with international parties on behalf of Riyad Bank.



Riyad Company for Insurance Agency

Riyad Company for Insurance Agency, is a limited liability company, wholly owned by Riyad Bank, with a paid-up capital of SAR 500,000. Registered in Saudi Arabia and headquartered in Riyadh, the company markets and sells insurance products that are provided by the Al Alamiya Insurance Company to Riyad Bank, and its individual and corporate clients.



Riyadh Esnad Company for Human Resources

Riyadh Esnad Company for Human Resources is a limited liability company established in 2020, wholly owned by Riyad Bank with a paid-up capital of SAR 500,000, comprised of 500,000 shares with a nominal value of SAR 1 per share. Registered in Saudi Arabia and headquartered in Riyadh, the company provides operational human resource services exclusively for Riyad Bank and its subsidiaries, with the aim of reducing costs and risks to the Bank.



Riyad Capital

Riyad Capital maintained its strategic focus during 2022, making significant progress towards its vision of becoming the most innovative and trusted investment solutions partner. Through its determination and focus on its 4 Strategic Pillars – Trust, Innovation, Efficiency and One Team – it delivered outstanding results, despite the elevated volatility and uncertainty across global financial markets.

Riyad Capital continued its string of successful IPOs during the year, as the partner of choice for ambitious organizations looking to tap into the capital markets. It continued its successful track record of offering and listing for IPOs – Elm Company, Saudi Home Loans Company, The Power and Water Utility Company for Jubail and Yanbu (Marafiq), and Riyadh Cables Group Company in the main market of the Saudi Stock Exchange – in addition to other ECM transactions, such as acting as co-underwriter for Petro Rabigh.

This strong performance led Riyad Capital to rank among the top 3 Capital Market Institutions by number of IPO transactions in the Kingdom and being ranked third by Forbes Middle East in its list of Top 30 Asset Management Companies in 2022. Furthermore, "Riyad Opportunities Fund" ranked first among top performing Saudi equity funds with over SAR 100 Mn. in AUM.

The Company also launched a range of high-profile funds during the year, including "Riyad Financing Fund II", a SAR 450 Mn. fund that is the first direct financing fund in the market; "Riyad Capital Fixed Income Fund 1", which is Riyad Capital's first global fixed income fund; "Riyad Capital Venture

Opportunity Fund 1", the first global venture capital offering by Riyad Capital in partnership with March Capital; and 2 real estate funds valued at SAR 6.2 Bn. to develop Jawharat Al Riyad and Jawharat Jeddah centers with Arabian Centers.

Other highlights of 2022 included issuing an additional 1-tier Sukuk valued at SAR 3.75 Bn. for Riyad Bank, and starting an exit strategy from the Riyad Taqnia Fund with a partial sale of Foodics returning 3.5 times on total investments, and the listing of Sure Global in the Nomu market.

The Company is looking to strengthen its growth, diversify its solutions, and continue to accelerate progress in the year ahead.



Awards and Recognitions in 2022

Riyad Balanced Income Fund – Refiniv

Euromoney Market Leaders – Euromoney

Most Innovative REIT Fund – Riyad REIT – Saudi Arabia – Global Business Outlook

Top Performance Fund – Argaam

Best Custodian – Tadawul

Digital Banking and Innovation

Digital transformation is our de facto means of doing business at Riyad Bank and is an ongoing mission covering all areas and divisions. We have expanded our understanding of digitization to make it more customer-centric, focusing on customer challenges, perceptions and expectations.

In 2022, we continued to progress our digital banking story and took important steps in our digital innovation journey, including entering the frontier of open banking and banking as a service (BaaS), putting us ahead of other banks in the Kingdom. Furthermore, our new Digital Innovation Center (Jeel) will fuel the fire to generate new innovative and market-leading products and services, promoting internal entrepreneurship and supporting the larger fintech ecosystem.

To accelerate towards our strategic objectives, we enhanced and deepened our performance as the region's most fintech-friendly bank. We focused intensely on designing product packages for fintech's, as well as creating, financing and supporting start-ups. Our work in this sphere provided fertile ground for securing partners interested in collaborating with the Bank, exchanging services with the Bank or seeking strategic investments.

Open Banking and Banking as a Service

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This year, digital product innovation at Riyad Bank led the way in expanding open banking and BaaS in the region. We are laying the foundation of a culture that creates new value propositions based on the BaaS model. This model makes use of open application programming interfaces (APIs) that enable third-party developers to build applications and services around the Bank. It will help the Bank create new offerings and value out of existing assets and add more impact into the collaboration with partners. In line with this, we are building a unit dedicated to structuring our digital banking assets in a services catalog, to establish an operational model for all financial and non-financial APIs and digital services practices.

We are developing a partnership model that will support the commercial value proposition of the BaaS and its prospective customers and partners. This will further help the Bank elevate its engagement with all industries and with the mega projects of Saudi Arabia's Vision 2030. Establishing the necessary BaaS infrastructure to lead the ecosystem moving forward also showcased our value in the market.

Digital Innovation Center

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This year, we have completed and soft launched the Digital Innovation Center (Jeel) in its first edition, to drive product execution, innovation and ecosystem integration across the Bank's divisions and departments, as well as the wider fintech ecosystem. The Center will cover and support all areas of digital transformation and innovation, incorporating a Digital Lab, Digital Factory, Digital Studio, and Digital Research.

The Center has developed a framework for rapid experimentation and scaling of innovative digital products and services, serving the Bank and its network. Through the Digital Lab, we will rapidly prototype, launch, and scale new products and businesses. The Digital Factory will lead internal digital squads to product execution. As an entity, the Center will foster the evolution of new solutions and business models, incubating a new way of working and growing the digital maturity of the Bank.

The Center will also promote integration with key partners in the digital sphere. Specifically, the Center will launch the next frontier of digital platforms, such as open banking and BaaS, to integrate the Bank with the ecosystem.

Further, the Digital Innovation Center will help channel investments and support for fintech start-ups and partners, within the Kingdom and beyond. The aim is to attract and scale promising start-ups through incubation, acceleration and partnership.

Overall, the center will develop local capabilities in digital entrepreneurship, increasing the adoption of emerging technologies and supporting the use of technologies in promising projects.

Supporting and Developing Fintech's

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At Riyad Bank, our fintech banking strategy is comprehensive and concerted, serving the ecosystem from multiple angles. This includes designing packaged solutions based on fintech customer needs that can be monetized and offer a value add. It also involves investing in the Bank's own ventures to generate new digital services and products. We also provide extensive support to start-ups to develop and scale solutions that can lead to partnerships and greater revenue for the Bank, at the same time promoting innovation across the region.

In 2022, we launched the Fintech Emerging Technology Strategic Partnership Incubation Framework, the first of its kind in the region. It is a 3-stage framework, involving the design, development and sales of various fintech packages. The objective is to grant emerging fintech providers full access to customizable packages that include services such as digital wallets, transfers, remittances, cards, accounts and marketplaces.

This year, we also ran the second and third cohorts of Riyad Bank Open Innovation Platform, known as WSL. The platform was developed to offer entrepreneurs and innovators an experimental environment to create programs and applications that simulate data banking connectivity tools. WSL supports them to build innovative business models and test them instantly and effortlessly, while offering high security and technical support.

The WSL initiative will lead to new value creation for the Bank. Emerging outcomes include the release of multiple digital products, the development of APIs in a customer-centric and market led prioritization, an increase in the number of users within our platforms and the signing of new partnerships.

The Bank also supported local innovators by holding a Demo Day in partnership with the Global Entrepreneurship Congress Riyadh 2022. At the event, we gave 8 top local and regional fintech start-ups the opportunity to pitch their businesses to a large audience of venture capitalists from our network.

Accelerating
towards our
strategic
objectives



Partnerships with Fintech's



Participating Financing Companies



Fostering Partnerships



This year, the Bank extended its reach into the fintech ecosystem by creating a number of fruitful partnerships. We established our first open banking partnership with one of the graduate start-ups from our WSL program, a start-up fintech that offers innovative financial products in the Kingdom. In addition, we partnered with top Open Banking players to provide an open banking sandbox, allowing companies to test their ideas and projects using mock data that replicates an open banking environment.

We continue to work on new commercial agreements with top fintech's to create new products and services using BaaS.

Digitizing Bank Processes



Internally, digital transformation continues to be a priority across all divisions of the Bank. Our digital strategy includes managing and delivering all data and reporting requirements across the organization. It involves reviewing, supporting, restructuring and governing digital projects running across different divisions. It also requires strategic alignment between BT, business units and a variety of Stakeholders within and outside the Bank.

This year, we successfully completed and launched a specialized Data Science platform to help Riyad Bank accelerate artificial intelligence and machine learning in a more consistent way. Big Data use cases were also implemented, as they are critical in underpinning all the Bank's data activities. This includes finalizing the Personal Finance Management and Tanfeeth Big Data use cases, which support the Retail Banking and Corporate Banking business lines in providing financial-based services to their clients, as well as promoting financial literacy in the market.

This year also saw the launch of the new version of Molhem, an internal innovation program that supports employees to share ideas that will make a difference to the Bank. Participants were called upon to solve 3 different challenges, which generated a number of potential solutions the Bank is currently exploring.

Award-Winning Digital Leadership



This year, the Bank's digital efforts helped us to sweep up awards at the various ceremonies across the region. Euromoney named us the Best Bank for Digital Solutions in Saudi Arabia, as well as Best Bank for SMEs – Digital Solutions in Saudi Arabia. At the Middle East Banking AI and Analytics Summit, we were awarded Best Data Science and Business Intelligence Leader.

The Customer Experience Live Intelligent Automation Show Middle East 2022 recognized us as Best AI and Data Science Excellence, Best Intelligent Automation and Operational Excellence, as well as Intelligent Automation Leader of the Year in Banking, Financial Services and Insurance. Finally, Informatica named us the winner of Data Practice Excellence at their Middle East Customer Innovation Awards 2022.

Transforming for the Future



In 2023, our digital strategy will focus on increasing value and profitability and setting up a Venture Builder Enterprise to design and launch standalone fintech and tech ventures as emerging and specialized companies while managing them in line with the Bank's strategy. In addition, the Digital Banking division will focus on generating new streams for growing and expanding value for the bank and opening new business lines by leveraging Riyad Bank's Digital Innovation Center.

Finally, we will continue to dynamically update our digital operating model. This will involve attracting top talent, addressing dynamic market needs and leveraging all capabilities to stay ahead.



Customer Experience

At Riyadh Bank, our commitment to continuous improvement and growth as a customer-centric organization fuels our aspiration to become the best bank in the Kingdom. As a key success factor in all 4 pillars of our corporate strategy, customer experience continued to be an area of focus, innovation and investment during 2022.

This year, we expanded and sharpened this focus to provide and enhance fully-fledged, end-to-end customer journeys across all divisions. We aggressively pursued our digitization campaign, staying ahead of demand for real-time content and streamlined processes and services. We also elevated the Bank's branding to reflect our ethos that customers are at the heart of everything we do.

Surpassing Expectations

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2022 was a year of stellar results for customer experience across the Bank. Our customer Net Promoter Score (NPS) increased 18% in Retail Banking and 19% in Corporate Banking compared to the previous year.

In addition to NPS, our KPIs included; Customer Effort Score, Turnaround Time, Error Rate, Engagement Rate, Customer Acquisition and Retention.

The Bank validated its customer experience efforts by taking home several awards at the Customer Experience Live Show Middle East 2022, including Best Customer Experience and Operational Excellence, Best Voice of the Customer Transformation and Best Customer Experience Leadership.

Strategic Initiatives

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In 2022, the Bank undertook a wide range of strategic initiatives to up the ante of customer experience across all divisions. We designed and redesigned more than 60 processes related to our products and services, streamlining the customer journey from beginning to end, as well as our back-end services. A significant achievement was implementing checklists of customer requirements for all mortgage and loan products.

We also participated in the implementation of Wathq, an automated solution developed in partnership with the Government to generate customer title deed information, saving time on manual input by Bank staff. In addition, we participated in the launch of the new template for top complaints analysis.

The Bank's participation in CX day was a highlight as well. The CX team has expanded the CX day to be CX week of activities as part of a roadshow in 3 key regions to showcase Riyadh Bank's Customer Experience capabilities and achievements. It kicked off with a townhall event to celebrate Customer Experience success stories for innovation and achievements in this important field. It was also an opportunity to raise awareness among all our employees about customer-centric culture and the importance of Customer Experience to the Bank's sustainable success.

Employee Alignment

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Internally, we succeeded in raising awareness across the Bank about what it means to be a customer-centric organization. This included emphasizing the importance of the customer's experience in achieving our 2025 goals of providing value through innovation, achieving efficiency through digitization, and enabling our teams and organization through next generation operating models.

We also aligned employee experience with customer experience, with the strategic understanding that satisfied employees lead to satisfied customers. Initiatives included launching an employee NPS survey and spearheading more than 30 new processes to improve employee experience.

Digitizing the Customer Journey

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Our digitization campaign is driven by our customers, who expect access to real-time, relevant information in the format and on the device of their choice. It is their journey that dictates our strategy.

The Bank takes a digital approach to gathering and analyzing relevant customer experience data. We send post-transaction surveys via SMS. We listen to and analyze social media platforms and blogs to understand customer needs and behaviors. We translate this data into business action plans, digitizing end-to-end products and service journeys through mobile apps and online platforms.

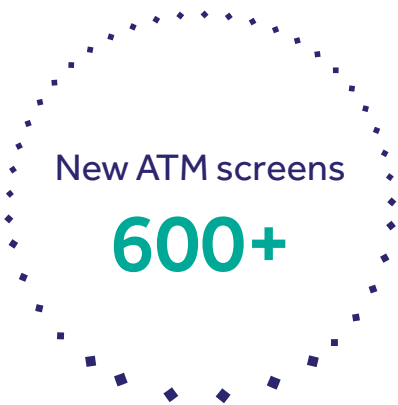
This year, we achieved a significant number of milestones in the digital sphere to improve the customer experience. This included running 50 usability test sessions with the Bank's customers. We've also designed new templates for our public website. We also created more than 600 new ATM screens, enhanced our email notification template to make it more responsive, and created and implemented a National Day theme across all our digital channels.

60+

new product- and service-related processes

50

digital usability tests





A Trusted Brand



At Riyad Bank, we have built new and long-term relationships with our customers based on trust, loyalty, and our ability to innovate and exceed their expectations. During this year, we have completely redesigned the trademark to accurately reflect these relationships.

The Bank has launched a new identity that embodies its vision to be the "most innovative and trustworthy bank", which is in line with Saudi Vision 2030, as well as the Bank's strategy for 2025 - looking forward to a promising future of creativity, leadership, excellence and prosperity.

The technical and creative components of this identity confirm our commitment to our longstanding values that humans are at the core of our priorities, and maintain the key elements of the logo, which recalls the Bank's history as a leading Saudi banking and financial mark. The logo is completed with modern colors and curves – reflecting optimism, simplicity, interest and partnership.

Focus for 2023



The year ahead is one of action for the Bank, with comprehensive plans to launch and complete key projects to improve the experience of our customers and enhance their journeys. Overall, we are working to embed a "right things right, first time" culture across the Bank, reducing our error rate and, in turn, minimizing in-person customer visits to branches. Examples include enhancing customer and merchant journeys on claims and requests related to cards, and reducing service variability for trade products.

Importantly, we will implement a new advanced Customer Experience Management platform that will enable us to conduct real-time surveys, prepare customized and live dashboards, generate automated text analytics, and employ multiple channels such as push notifications for sending surveys.

We will also subscribe to a customer experience benchmarking platform that will measure the Bank's performance against competitors. Areas compared will include overall bank performance, channel performance, product performance and customer journey processes. The platform will also identify "moments of truth," where customers form key impressions about the Bank and its products, and measure how changes in customer experience strategy impacts customer satisfaction.

Plans are also underway to enhance customer experience by improving the queuing system at the branches. We are also working on developing Hassad Plus to replace the Hassad program, providing our customers with access to exclusive and lifestyle experiences. In addition, we will contribute to the creation of the Riyad Bank Marketplace platform, which will provide a standalone store through which the Bank allows its customers and non-customers to purchase daily needs and products that fit their lifestyle.

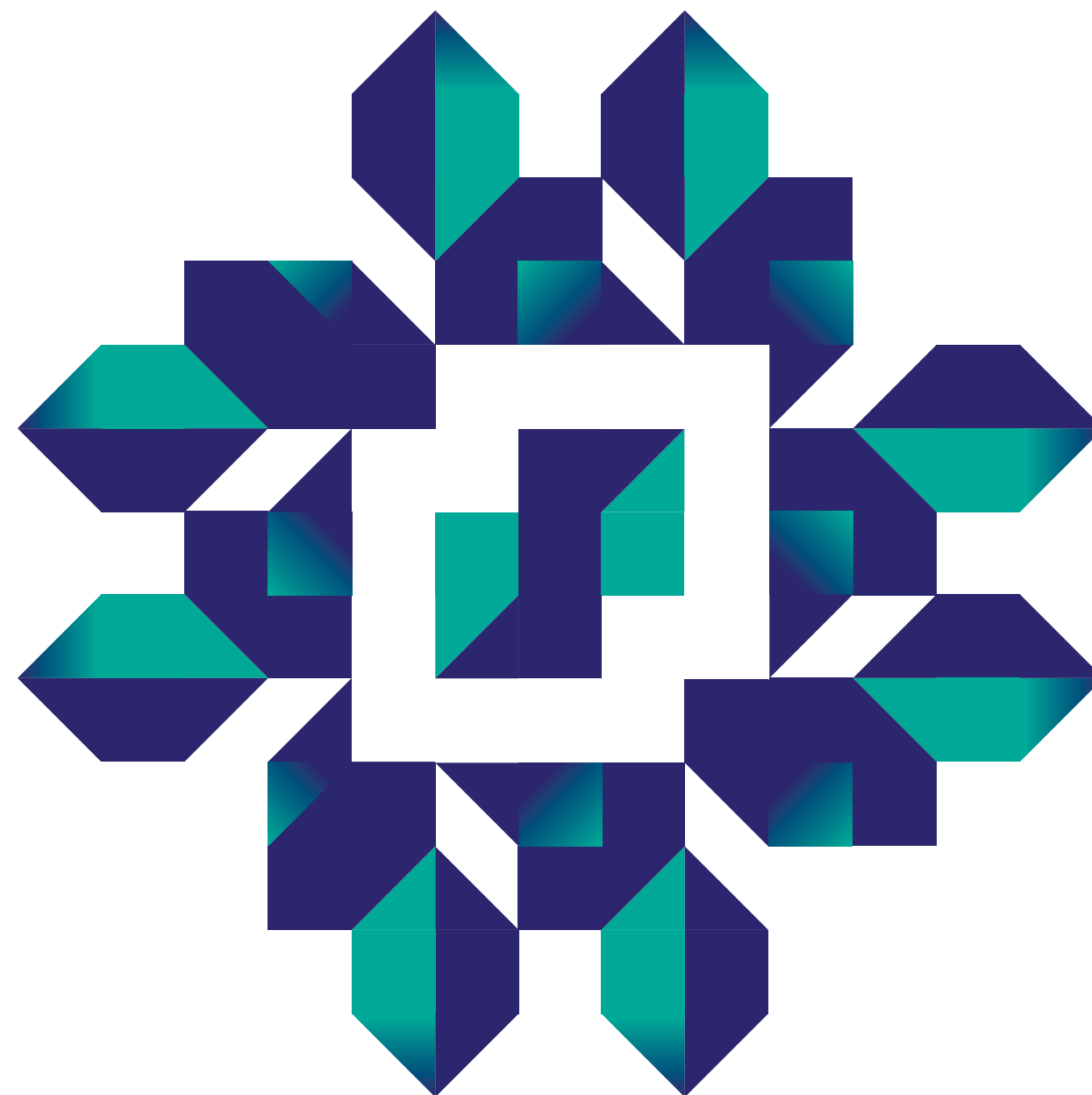
Finally, we are looking forward to participating in the Molhem Innovation Program, which we created to enable employees to provide innovative ideas for the growth and development of Riyad Bank.





ESG REVIEW

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Riyad Bank continues to accelerate our sustainability journey to fulfil our responsibility to our people, partners and country today and for the future.

ESG Strategy, Framework and Governance

Our Approach to Sustainable Transformation



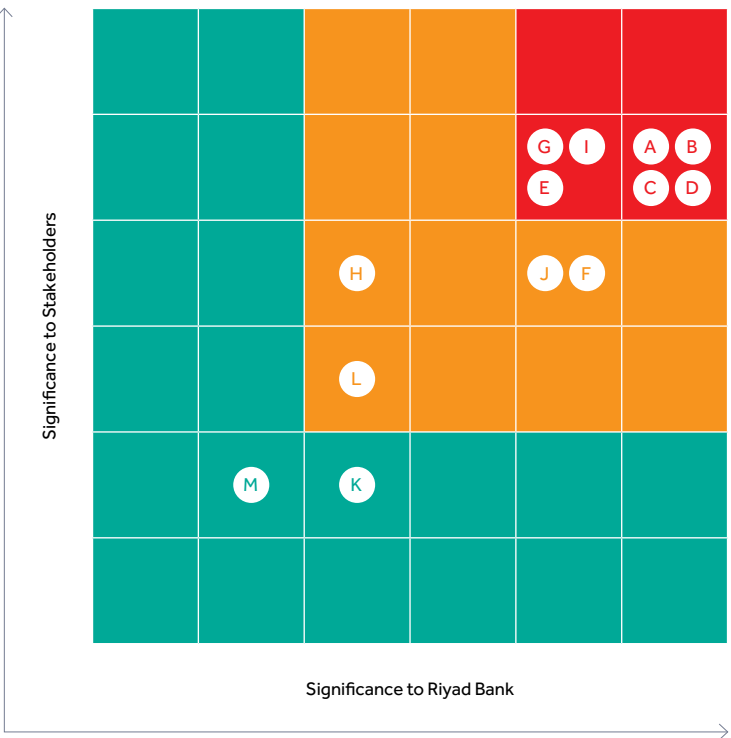
At Riyadh Bank, we are committed to sustainability and responsible corporate citizenship. This commitment is reflected in our longstanding contributions to the wellbeing of the communities in which we operate and to society at large.

In 2022 we developed a comprehensive ESG strategy. This strategy aligns with the Bank's 2025 business strategy and guides our contribution to the Saudi Vision 2030 and to the attainment of the United Nations Sustainable Development Goals (UN SDGs). Our ultimate objective is to continue with

our Bukra strategy and become a leading example of how sustainable business practices can add value to employees, customers and the broader Saudi society.

As one of the leading financial institutions in Saudi Arabia, we recognize that we have an important role to play in the development and prosperity of the Kingdom. We have set ambitious goals for ourselves, guided by our values, strong organizational culture and robust corporate strategy. Our values enable us to embed the needs and priorities of our Stakeholders into our day-to-day activities. We pledge to take responsibility for our actions and to work with enthusiasm, credibility, transparency and clarity.

During 2022, we focused on environmental protection and sustainability as key priorities, without compromising the quality or quantity of our previous commitments. To achieve this, we aligned all members and departments within the Bank to contribute to and support our CSR programs and initiatives. Their input enabled us to maintain our past successes as well as break new barriers. Key initiatives included facilitating donations to charities, providing food baskets to families in need during the Holy Month of Ramadan, blood donation initiatives and participation in events to commemorate important dates on the annual calendar. We also retained focus on people with disabilities, supported various education initiatives and also provided financing and support to SMEs.



- A. Digitalization and technological resources
- B. Customer focus and operational excellence
- C. Financial performance
- D. Data privacy and security
- E. Employee development and wellbeing
- F. Supporting SMEs
- G. Governance, ethics and compliance risks
- H. Responsible procurement and supply chain
- I. Sustainable investments and financing
- J. Localization
- K. Direct environmental impact
- L. Financial inclusion and accessibility
- M. Community support and investments

Our Material Matters



As one of the largest financial services providers in the Kingdom of Saudi Arabia, we play a pivotal role in the economic activity of the nation, helping to create, grow and protect wealth through partnerships in economic development. Several factors affect our ability to create value, including our operating environment, risk landscape, the legitimate needs and priorities of our Stakeholder's needs and our strategic objectives. We provide the context for what we have deemed our material matters – those which can significantly affect our ability to create or preserve value, or may lead to value erosion, over the short, medium, and long-term.

Bukra: Embedding CSR and Sustainability



Launched in 2019, our Bukra Strategy aims to deliver quality corporate social responsibility initiatives in line with the Bank's strategy and operations, the Kingdom's Vision 2030 and the UN SDGs. The strategy was developed in consultation with a range of partners and role players. This allowed the Bank to identify the needs and priorities of our Stakeholders and develop an appropriate and effective roadmap. In addition to Vision 2030 and the UN SDGs, Bukra is aligned with global best practice, frameworks and standards including the UN Global Compact and the UN Convention on the Rights of Persons with Disabilities.

Sustainability Governance



Riyad Bank adopts the highest standards of good governance and has in place robust sustainability governance principles and practices. These principles and practices enable us to clearly define our sustainability ambitions and establish the structures and processes required to deliver meaningful impact for our Stakeholders and achieve success.

The Bukra Sustainability Strategy at a Glance



Vision

To be a leading member of sustainable practices that would add value to employees, customers, Stakeholders, and the whole community of Saudi Arabia

Mission

To deliver quality corporate social responsibility practices of impactful values and benefits in alignment with the Bank's strategy and operations, the United Nations Sustainable Development Goals (SDGs), and the Kingdom's 2030 Vision

Objectives

- Align our practices with The Guidance on Social Responsibility (ISO 26000), Accountability Principles Standard (AA1000), The Global Report Initiative (GRI), and the UN Global Compact
- Be recognized for our professional and collaborative approach to protecting the environment, contributing to education and to supporting our employees, the communities in which we operate, and society at large
- Measure the impact of our programs internally and externally, and share reports, insights and statistics with our Stakeholders
- Play a meaningful role in the Kingdom's community service programs by involving our employees in relevant initiatives
- Be diverse, inclusive, transparent and accountable in all our projects and practices

Corporate Social Responsibility Committee



The Bank has appointed a dedicated Corporate Social Responsibility (CSR) Committee. The Committee's role is to oversee the systems, policies and processes to achieve the Bank's sustainability objectives and monitor sustainability risks. The Committee is led by the Bank's Chairman. Additional members include the CEO, CXO, representatives of the Bank's operating divisions and the CSR Management team in the Communication and Customer Experience division.

ESG Risk Assessment Framework



We have robust mechanisms in place to ensure that environmental and social risks are considered in all investment decisions. Our Board recognizes that resilient business strategies require an Enterprise Risk Management Framework (ERMF) approach that effectively incorporates the Bank's material sustainability risks, including environmental risks, social and human capital risks and governance risks.

For more about our sustainability strategy, framework and governance, please click here to read our 2022 ESG Report.

Aligning to National and Global Sustainability Goals

Riyad Bank is fully committed to the success of Saudi Arabia's Vision 2030. This is in line with our responsibility towards the Kingdom and desire to stimulate the national economy and diversify its revenues for future growth.

Saudi Arabia's Vision 2030

Vision 2030 is a development roadmap aimed at driving Saudi Arabia's future sustainability. Founded on 3 themes, the Vision aims to achieve the following strategic objectives: enhancing government effectiveness, enabling social responsibility, growing and diversifying the economy, as well as increasing employment.

Vision 2030 Themes

A vibrant
society

A thriving
economy

An ambitious
nation

Vision 2030 Initiatives

During 2022, Riyad Bank implemented several initiatives aimed at contributing to the attainment of Vision 2030. Through these initiatives, the Bank contributed to 12 of the Vision Realization Programs. These programs support the 96 strategic objectives of the Kingdom's Vision by implementing 75 initiatives, representing 53% of the strategic objectives of Saudi Vision 2030.

United Nations Sustainable Development Goals

Our sustainability framework and long-term aspirations guide our increasing commitment to the attainment of the UN SDGs. This is consistent with our alignment with the UN Global Compact and its 10 principles. We have prioritized the following 14 SDGs, where we believe we can have the most meaningful impact.



For more about our alignment with national and global sustainability goals, please click here to read our 2022 ESG Report.

Vision 2030 Initiatives Riyad Bank is fully committed to the success of the National agenda



Sustainable Investing and Financing

Banks are highly integrated into the economies where they operate. Not only are our customers active participants in the economy – we facilitate lending and investments, deposit-taking and transactions.

Integration of ESG Criteria in Financing Activities

Economy

بكر

ESG has become a strategic imperative for all organizations. By integrating ESG considerations into our strategy, we are able to get a more comprehensive picture of our overall risk profile and reduce negative impacts on people and the planet, while ensuring sustainable value for all our Stakeholders.

Environment

بكر

Riyad Bank is working on several environmental and social projects. One of these is the green nursery that we are establishing, which will produce 400,000 trees annually over the next 10 years. This is a total target of 4 million plants. The initiative is in line with the Government's ambitions to plant 10 billion trees across the Kingdom by 2030. In addition, the nursery will also be creating jobs and will serve as an education center.

Community

بكر

Riyad Bank's mission is 'To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner.' An example of how Riyad Bank is achieving this mission is through financing various initiatives - including green and renewable energy projects - as well as supporting SMEs. We are proud to manage a 21% share of loans granted by commercial banks to SMEs in Saudi Arabia. It's a priority for us to grow this portfolio, as it allows us to deliver effective social value and contribute towards the sustainability of Saudi Arabia.

Knowledge

بكر

Integrating ESG criteria into our financing products was a key focus area in 2021. To this end, we added ESG criteria to our Credit Facility system (ALGO). This allows us to map each financed project with the related category in ESG and obtain an accurate classification of Riyad Bank's financing facility for each customer.

Sustainable Sukuk



In 2021, Riyad Bank began working on its inaugural Sustainability Sukuk. In February 2022, the Bank successfully closed its inaugural USD 750 Mn. Additional Tier 1 (AT1) Sustainability Sukuk, making it the first sustainable AT1 Sukuk globally. The profit rate of 4% per annum is equivalent to the lowest credit spread ever achieved by a Gulf Cooperation Council bank for an AT1 Sukuk. The orderbook was 4.3 times oversubscribed, which affirms the confidence placed by investors in the Bank's strategic direction, Board, and Management team. To structure this

transaction as a sustainability AT1 Sukuk, the Bank has published its debut Sustainable Finance Framework in line with the International Capital Market Association's green, social and sustainability principles. The framework covers a diverse range of eligible sustainable activities linked to Riyad Bank's ambition to become a regional ESG leader as it looks to drive green and social development in the Kingdom in line with Vision 2030 and Riyad Bank's own flagship sustainable finance program, namely its Bukra strategy. Furthermore, the framework is aligned to the global best practice, and has received a Second Party Opinion from S&P Global Ratings confirming its

alignment with all the sustainable finance principles. S&P awarded Riyad Bank with a "Strong" scoring for its Use of Proceeds section, noting positively the link of each category towards the Bank's wider sustainability agenda.

Green Renewable Banking



In line with Riyad Bank's strategy 2025 to be the best bank in Saudi Arabia, and as part of our social responsibility towards the environment, we continued to align our Green and Renewable Energy banking initiatives with the Saudi Green Initiative.

Providing Sustainable Finance

Decorative lightbulb icon

1 Smart Green Buildings

Housing, offices and commercial projects

2 Green Supply

The project suppliers

3 Green International Investments

Overseas projects

4 Green SMEs

Small and medium projects

5 Green Industries

Local factories

6 Green Energy

Sales of solar and renewable energy

7 Green Land

Green landscape projects

8 Green Transportation

Transportation projects

9 Green Fintech

Digital solutions and startup financing

Financing and Empowering SMEs

SMEs and entrepreneurs are essential for innovation and economic growth. SMEs are the major job creators in the Kingdom, and indeed around the world. However, they often lack access to finance, or available products or services may not meet their specific needs.

For many years, Riyad Bank has focused on the development of SMEs to support local industries and promote a diversified national economy. Supporting micro, small and medium enterprises is important to the Bank as it ties in with the Government's vision of job creation - as well as our own. It is for this reason that we have established internal targets for the number of SMEs that we support. We tailor our products towards what SMEs require and process feedback so that we can enhance our products and services in line with their needs.

During 2022, we continued to provide easy financing solutions to these establishments to enable them to continue their activities and retain their employees, despite disruptions resulting from the COVID-19 pandemic. We also enhanced our point-of-sale for retailers and reviewed the way we structure credit issuance. Riyad Bank improved its services during this year of reporting, as evidenced by our improved Net Promotor Score.

During 2022, Riyad Bank remained at the top of the list of institutions that supports SMEs in cooperation with the Kafalah Program, for the sixth year in a row. Although the Kafalah report for the full 2022 year is not yet released, as of Q4 our share of SME entities supported through the program was 40%, a remarkable achievement that is recognized by the Ministry of Trade and Finance. We are proud to be the top finance provider for SMEs in the Kingdom.

We also look to support SMEs beyond financing aspects. In cooperation with the IFC, we provide our SME customers with an 'SME toolkit' – a platform that contains a comprehensive and expanded directory of models, software, research and information sources, as well as self-evaluation exercises and useful questions, with the aim of refining the administrative, marketing and financial skills of the owners and administrators of these enterprises to ensure the continuity of their business. We also created a procurement certification course that equips small businesses to work with larger institutions. Furthermore, we provided training for our SMEs, and we support them from a business planning point of view.

2022 SME Support Initiatives



While SMEs are fundamental to a healthy economy, the effect of COVID-19 has been devastating for many of them. Financial and advisory support is a lifeline to survival and Riyad Bank has concentrated its efforts on providing practical finance options and expert guidance.

Corporate Banking supported the Technology Development Financing program in their latest initiative to finance technology start-ups and SMEs. Moreover, Riyad Bank signed a Collaboration Agreement with the Culture Development Fund to create programs for business enablers in segments such as large corporations and MSMEs.

In combining 2 of our most important strategic goals during 2022, Riyad Bank expanded its operations for smaller businesses by adding 30 dedicated SME centers across the Kingdom. At the same time, we are building an end-to-end digital platform to fully digitize the lending process for small and medium-sized enterprises.


We enhanced the capacity and capabilities of our workforce to better serve SMEs by:

- Increasing the number of employees dedicated to serve SMEs
- Expanding the number of dedicated SME centers across the Kingdom
- Increasing the man-days of training provided to SME Staff
- Invested in training SME clients to improve their business capabilities
- Initiating workshops held for SME clients

For more about financing and empowering SMEs, please click here to read our 2022 ESG Report.

Prioritising our People

Our people are central to our ability to create sustainable value. Consequently, human capital development is one of the pillars of our strategy.

 Our People by the Numbers	Authority	2021	2022
	Total workforce (excluding trainees, students)	5,338	5,593
	Full-time employees	5,338	5,593
	Senior Management employees	202	233
	Middle Management employees	1,469	1,660
	Non-Management employees (Staff)	3,667	3,700
	Number of nationalities	25	25
	Female employees	1,459	1,591
	Female employees in middle Management	361	440
	Female employees in senior Management	18	21
	Saudi National employees	5,073	5,354

With a total of over 5,593 full-time Staff at Riyad Bank, our sustainable development initiatives have always been employee inclusive. Employees are the heart of the organization, and their journey with us is the cornerstone of our operations and ability to create value. We strive to maintain our philosophy as the best employer we can be and achieve our goal as Bank of Choice for employees by 2025. Our employees understand how much we value their contributions and in 2022 we reinforced that through our employee recruitment, selection, engagement, development and retention initiatives. We also have a comprehensive rewards program, that allows us to provide competitive remuneration and benefits.

The COVID-19 pandemic continued to play a major part in our lives throughout 2022, but Riyad Bank did everything possible to safeguard our people. We implemented onsite vaccination areas during a strictly monitored return to work and maintained the full spectrum of safety and security measures across all our work environments to comply with regulations.

Post-pandemic, Riyad Bank prioritized proactive engagement with our employees and their wellbeing. Various initiatives were put in place such as the Human Capital Roadshow 2022, where the Human Capital team visited all Riyad Bank locations and branches across the entire Kingdom to conduct people-centered awareness sessions, with a view to enhancing our employees' sense of belonging to the organization. These engagements were concluded with the conduct of our annual OHI Survey, which maintained our position in the Top Quartile against global benchmarks.

Recruitment



As the Bank becomes a leader in innovation for our products, services and processes, we need to recruit more talent and ensure we have the skills, knowledge and expertise required to take the Bank forward. In 2020, Riyad Bank launched the Fursan Al Riyad Program designed to acquire top caliber Saudi graduates for the Bank's future talent and leadership pipeline.

This recruitment and selection process utilized innovative approaches, including digital assessment solutions, to ensure that only the most talented candidates got into the program. As Fursan evolved, those recruits are now fulfilling various roles in banking, technology, IT service management, cyber security, IT governance and emerging technology.

Riyad Bank has been supporting the Human Resources Development Fund to promote on-the-job training to Saudi youth through its Tamheer Program for Saudi graduates. This year, we trained 107 Tamheer recruits and 94 Coop trainees. Since our participation in the program, we have placed a total of 33 trainees in permanent jobs.

The Bank also prioritized its internal talent through its Maserati Program (Internal Mobility Program) to fill vacancies. So far, we have placed 187 candidates.

Retention



Riyad Bank believes in holistic employee remuneration that includes compensation, benefits, employee recognition, development and care.

In 2022, we participated in an industry salary survey, followed by an annual pay review that benchmarked employees’ compensation against the market and best practices. As a result, and in alignment with our total rewards optimization plan, Riyad Bank was able to bridge the gap during the past years and is currently well positioned against industry peers.

The Bank’s performance-based system links rewards directly to contribution on 3 levels: bank performance, functional/divisional performance and employee performance. Cash and cashless programs were offered in 2022 as a tool to motivate and encourage outstanding performance in pursuit of the highest levels of productivity.

To ensure strong employee retention, we will continue to monitor our total reward strategy and make necessary changes where appropriate.

Organizational Health and Wellness



In line with our commitment to providing the best possible work environment for our employees, we have made organizational health a priority at every level of the Bank - from the moment a new employee is on-boarded, to beyond.

Evidence shows that organizational health can have a direct impact on an organization’s financial performance and productivity. The more the employees are engaged and satisfied with their jobs and organizational health, the more focused they will be on their roles and responsibilities. In 2022, for this reason, we conducted an Organization Health Index survey. This allowed us to listen to our employees and understand their needs and desires better.

Over 5,000 employees took part in the survey, generating more than 7,000 employee comments. Additional data and insights were analyzed and subsequently used to improve organizational health through a range of projects and initiatives.

Riyad Bank’s commitment and initiatives continued to deliver clear improvements in organizational culture, and in the lives and wellness of our employees, including:

- Senior leadership becoming closer to employees and more open to their feedback
- Increased willingness to change and accept the changing environment
- Improved employee engagement, with over 74% of employees saying they will not leave the Bank if they have the choice

Learning and Development



The Riyad Bank Academy was officially inaugurated in 2021 to empower our young and promising talent, by bringing in the latest developments in the banking and financial services sector to enhance our capabilities and performance. The academy is a leading-edge contemporary learning hub and an institute of repute in financial and banking studies in Riyadh, emphasizing the city’s role as an international financial training center.

The Riyad Bank Academy philosophy is as follows:

- Provide qualified professionals who are prepared to make the most of developments in the banking industry, while giving Riyad Bank an edge over its competitors by providing quality training. We view training as an investment, not an expense
- Provide employees with the skills, knowledge and attitudes needed to improve performance and advance in the Bank
- Develop employees’ skills in a way that contributes to reducing work procedures and thus reducing operating costs, improving productivity, and raising operational efficiency
- Contribute to building future leadership for managing the Bank

The Bank holds internal training courses at the headquarters of Riyad Bank Academy in addition to offering virtual remote learning technology. In 2022, the Riyad Bank Academy delivered 14,531 in person training days and 48,619 training days. These comprised online training organized in partnership with leading local and international training institutes, as well as conferences and courses offered from outside the Kingdom by well-known Arab and foreign advisory and training bodies. Riyad Bank is particularly proud of our Future Leaders program, which we run in partnership with 2 of the leading executive education providers in the world - the Ross School of Business, University of Michigan, and the IESE Business School.

In addition to a vibrant curriculum, Riyad Bank Academy teaches English to employees to enable them to communicate with clients and absorb the latest developments in the global banking industry. The Bank is also developing the professional qualifications of its employees, with the aim of raising its overall professional and technical expertise internally in terms of banking, theoretical and applied sciences.

Over the coming years, Riyad Bank Academy will continue to educate and connect more than 6,000 ambitious professionals from different Riyad Bank divisions and branches in various regions. The academy gives them access to a strong worldwide network with world-class alliances and accreditations.

We believe that better educated professionals and employees improve the value proposition of the industry, as well as their own abilities to compete for jobs within it. As the only training academy of its type in the Saudi finance sector, this is a unique opportunity for future professionals.

Career Management and Succession Planning



We ensure global best-practices and local regulatory requirements in mitigating the risk of losing key people. Each year we identify, assess and develop employees with the potential to move into Executive Management, leadership or other vital positions, in line with our business sustainability and 2025 strategic priorities. We keep employees informed of their potential career paths, with the support of professional career counsellors.

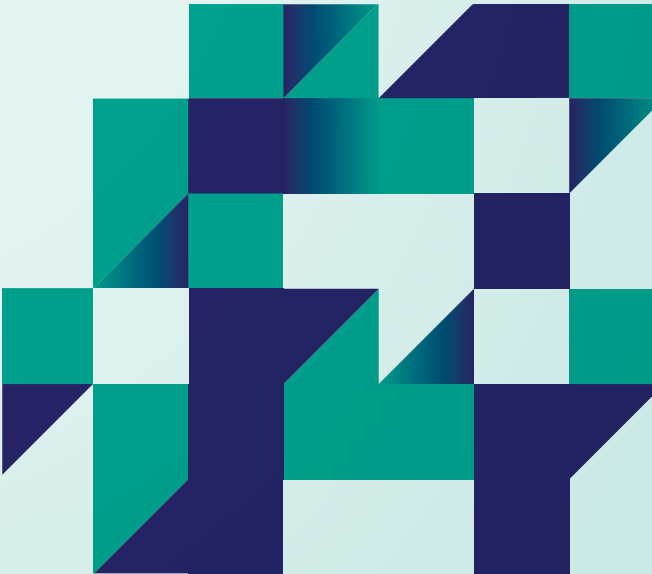
The Human Capital division has adopted a policy of modernizing and developing the regulatory frameworks that govern the career paths and succession work in Riyad Bank.

A careful review of the behavioral, technical, product and functional skills at all organizational levels of the Bank was completed. It aims to provide an integrated business model that considers reducing risks and developing current adopted practices.

During 2022, a series of initiatives were implemented, the most prominent of which was the partnership with the business segments to roll out a Bank-wide skills optimization program. This was designed as a collaborative effort between the Bank’s Career Management and Succession Planning department and all Riyad Banks’ functions. In a related development, Riyad Bank is committed to investing in its employees to ensure a strong, knowledgeable and agile workforce aligned with its goal of becoming the Bank of Choice in the Kingdom for employees and customers.

All employees undergo yearly performance reviews.

Incentive programs for employees and their related movement during 2022			
Statement	Investment Saving (Thousand SAR)		
	Employee's Share	Bank's Share	Total
Balance at the beginning of the year	53,800	19,633	73,433
Deposits in 2022	19,198	6,040	25,238
Withdrawals in 2022	(11,685)	(3,476)	(15,161)
End-of-year balance	61,313	22,197	83,510



Diversity and Inclusion



Our people policies convey the behaviors we expect of our Managers and employees to provide a working environment in which everyone can perform to their full potential. We ensure that our employment policies and practices do not unintentionally create potential for discrimination or unconscious bias. Policies are in place to accommodate the needs of people living with disabilities and to guard against harassment in the workplace.

We recognize that diversity and inclusion matter more than ever to enable our strategic vision. Therefore, we remain committed to fostering an inclusive and transformed workplace to serve our diverse customers. As part of this effort, the human capital team in cooperation with the Best Place to Work organization conducted a survey to measure the level of female employees' satisfaction. The study resulted in Riyad Bank being certified as the 'Best Place to Work for Women in Saudi Arabia 2021'.

Riyad Bank is an equal opportunity employer. We comply with the necessary practical and emotional standards required to create a safe working environment for people with disabilities. This applies throughout the employee journey, from recruitment and progress to support and promotion.

Employees with Disabilities



The Bank aims to be an inclusive institution and places emphasis on the needs of people with disabilities. We are committed to raising internal awareness, enhancing accessibility to our offices, and promoting sign language and speech-to-text capabilities.

During 2022, we hired 40 employees with disabilities and ensured Accessibility in Technology by installing live transcriptions to WebEx meetings for our employees who are deaf or hard of hearing. We also installed text-to-speech software to enable our employees with visual disabilities to access written data and provided employees with tablets that have a live transcription app for easier communication.

To create an inclusive culture and work environment, the Bank conducts workshops to educate its employees on the best practices for inclusion. The etiquette of dealing with persons with disabilities is a mandatory course for all Riyad Bank's employees. The course explains how to engage and interact with persons with physical, hearing and visual disabilities and features important information on different types of disabilities as well as accessibility and reasonable accommodations for persons with disabilities. 5,050 Riyad Bank employees passed the course during 2022.

For more about prioritizing our people, please click here to read our 2022 ESG Report.

Protecting the Environment for Current and Future Generations



We have developed a 4-year Environmental Action Plan through which we aim to reduce the environmental impacts of all Riyad Bank facilities and diminish their carbon footprint. We focus our efforts on increasing the efficiency of our spaces to reduce environmental impacts stemming from energy, water consumption and waste generation by seeking ways to lower emissions and optimize our resources. This adaptation plan was developed with the support of global environmental experts and extends until 2027.

A Greener Bank for a Better World



We implement ongoing initiatives to reduce energy consumption while at the same time increasing energy efficiency through process redesigns, the conversion and retrofitting of our equipment, operational changes, and increased employee awareness.

Having recovered from the disruption of the pandemic, we redoubled our efforts to achieve our goals. Our recycling and energy saving projects illustrated society's approach to waste and how we can all play a part in improving our outlook. We were delighted to be recognized by the Gulf Sustainability Awards in the Awareness and Education category.

Recycling



The cornerstone of the Bank's internal environment initiatives is our multi-pronged Recycling Project. Our headquarters initiated its recycling program in 2019. As part of the "Saving the Environment Movement" and "Be a Responsible Employee" initiatives, 2 recycling bins were placed in each division - 1 for paper and 1 for plastic. Recycling bins were also placed at selected branches. In addition, regular communication is sent out to all employees encouraging them to sign the Pledge of Recycling. The Bank also promoted the idea of the "Recycling Ecosystem" to the head office, regional offices, and 10 branches of the Bank.

During 2022, we continued with our recycling program. Material was collected as mixed recyclables waste in the following categories:

- Mixed paper; including office paper, magazines and newspapers, envelopes, hard and soft backed books, paper cups and confidential and non-confidential documents
- Plastic materials such as plastic cups and plastic bottles

Since the formalization of our recycling program, we have steadily increased our collections year-on-year, bringing the Bank closer to our goal of zero office waste to landfill.

During 2022, the Riyad Bank Granada building and the Heart of Riyad recycled 98,000 Kg's of plastic and paper. This is equivalent to 98 tons. We also collaborated with Ertiqa Organization to recycle PC hardware items, totaling 1,727 items during the year, an increase of over 300% compared to 2021.

Electricity



In line with our commitment to minimizing our environmental footprint, we saved 8.8% of the cost of electricity in our head offices and warehouses in 2022.

Electricity Saving Initiative



A smart timer was installed at our Al Quds branch to reduce electricity consumption by controlling the AC units' operation schedule, based on the working hours of the branch. It has been fully operational since March, 2019 and has reduced energy usage by 515,517 kW over the last 4 years.

Guinness World Record for Solar-Powered Streetlights



In collaboration with Restart LLC, we received a Guinness World Record Certificate for breaking the record in establishing the longest line of solar-powered streetlights, which consisted of 48 lights in Riyadh. The length of the line of solar powered streetlights is 9,735 meters in total.

Water



In 2021, we launched our World Water Day initiative. This initiative continued in 2022 with the aim of raising awareness on the importance of saving water. In addition, we installed stickers on the toilet mirrors in the Head Office in Granada and in the Heart of Riyad to remind the employees to consume less water.

We also raised awareness about saving water through a competition asking the employees to share their best daily practices to save water.

Tree-planting



We signed an MOU with Environmental Green Horizons Society with the target of planting 4 million trees in 10 years. The project aims to:

- Use renewable energy to reduce electricity consumption by 650 Gigawatt per hour
- Develop vegetation cover for over 3 million square meters
- Reduce carbon emissions by 10 tons per year

In collaboration with Environmental Green Horizons Society Riyad Bank participated in a tree planting event that featured employee volunteers from Riyad Bank, employees of the Quality of Life Program, Princess Noura University students, Al-Maarefa University students, and Al-Ghad School students. A total of 200 volunteers participated, and 5,000 trees were planted.

For more about protecting the environment, please click here to read our 2022 ESG Report.



Saudization

5,354

Total number of national employees

1,591

Number of female national employees

3,763

Number of male national employees

Community Support and Investments

Riyad Bank is a responsible business that is committed to the wellbeing of the people of Saudi Arabia. We believe our ability to create sustainable value is linked with the prosperity of the communities in which we operate and that of society at large.

We have developed a comprehensive Bukra CSR strategy, outlining our key priorities for social investment. This strategy is aligned with the Saudi Vision 2030 and the UN SDGs and guided by local and global best practice.

Riyad Bank is a signatory to the principles of the UNGC. Our increasing contributions to various UN SDGs through our core activities and collaborative efforts are highlighted throughout the report.

During 2022, we continued to play an active role in the communities we serve. Our donation accounts, which enable charities and associations to supply essential items to the needy, saw 432,902 transactions totaling SAR 13,904,6133 in donations. This figure has benefited all members of our society – from the young and the old to all those in need of support.

During the Holy Month of Ramadan, we partnered with a non-profit enterprise on our food distribution initiative. Consequently, we distributed 20,000 food baskets and 200,000 meals in 5 cities to 162 charitable organizations around the Kingdom. We also implemented a comprehensive employee volunteering program, enabling our employees to support various community initiatives.

In addition, we contracted an external service provider to conduct a review of our Return on Social Investment (SORI). This enabled us to get deeper insights into the impact of our CSR initiatives. Information on our various CSR initiatives was shared with our CSR Committee, led by the Bank's Chairman and comprising various members of the Bank's Executive and senior Management.

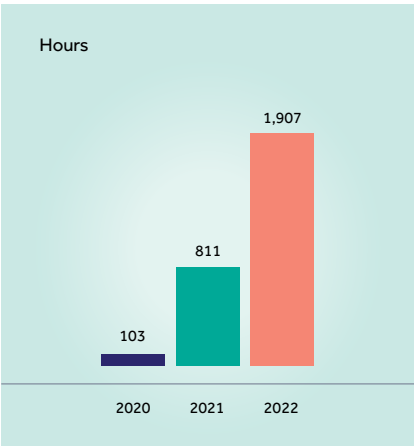
Other key highlights for the period include the successful implementation of our various social initiatives, including our Ramadan campaign, blood donation drives, employee volunteering, environmental initiatives, support for small businesses as well as support for people with disabilities.

Riyad Bank's community investments span both financial and non-financial support, including direct charitable donations, CSR based sponsorships, community interventions and initiatives, and employee volunteering. Our multifaceted approach to social investments enables us to deliver structured interventions for long-term impact, while remaining agile and responsive to the needs of our communities as they emerge.

Bukra Ambassadors



Our employees are integral to our CSR initiatives and contribute to our social investments by volunteering their time. During 2022, a total of 452 employees spent 1,907 hours volunteering for various social and environmental causes. This is a marked increase from the number of employees and volunteering hours recorded in 2021, and is testament to our ongoing commitment and character as a responsible corporate citizen.

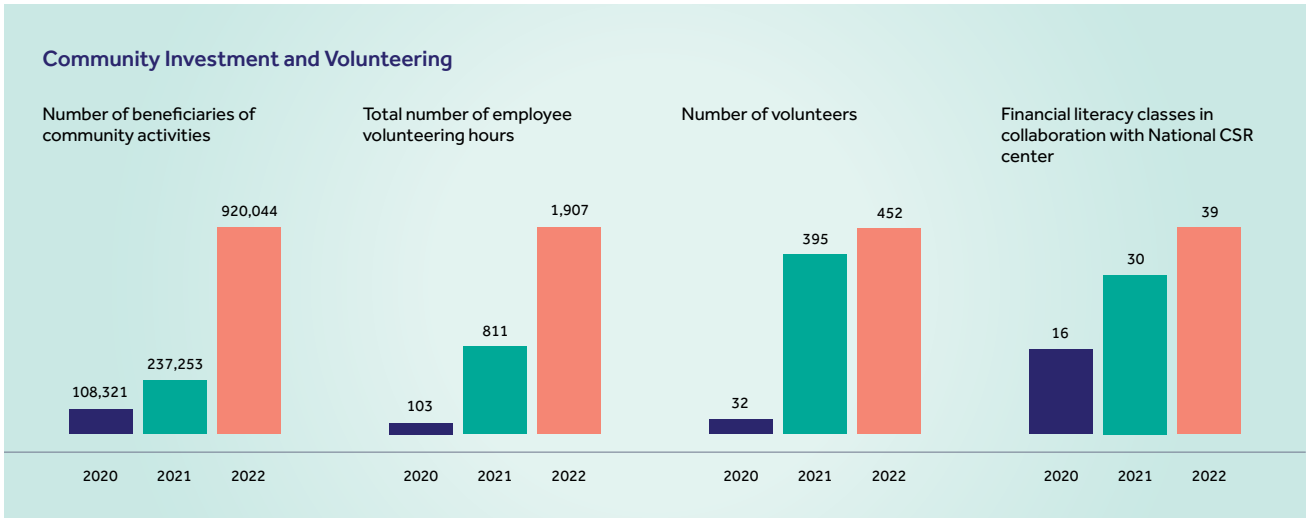
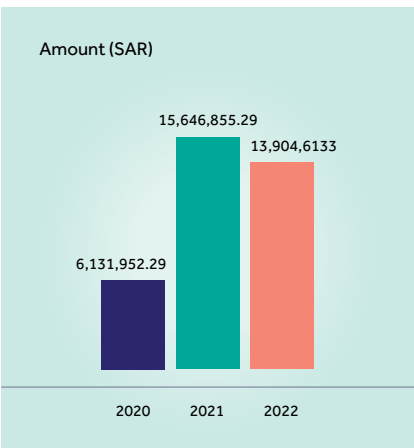
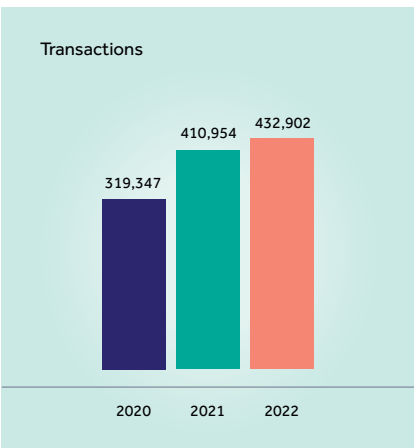


Charity Donations



Donation accounts of various charity organizations were opened with Riyad Bank.

For more about our community support and investments, please click here to read our 2022 ESG Report.



Governance

Members of the Board of Directors and Emanating Committees



The Bank's Board of Directors

The Bank is managed by a Board of Directors consisting of 10 members to be elected by the General Assembly every 3 years. The Board of Directors in its current term includes 5 Independent members and 5 Non-Executive members, according to the definitions contained in Article 1 of the Corporate Governance Regulations issued by the Capital Market Authority. The Board of Directors conducted 6 meetings during the year 2022, and the meeting attendance rate was (in person) 100%, taking into account those who attended by proxy.

Composition of the Board of Directors and Classification of its Members

The Period from 31/10/2019 to 30/10/2022			
Member's Name	Position Representation	Membership Rating	Representation
1. Abdullah Mohammed Al-Issa	Chairman of the Board of Directors	Non-Executive	-
2. Mutaz Kusai AlAzzawi	Deputy Chairman of the Board of Directors	Independent	-
3. Ibrahim Hassan Sharbatly	Member of the Board of Directors	Independent	-
4. Jamal Abdul-Karim Al-Rammah	Member of the Board of Directors	Independent	-
5. Talal Ibrahim Al-Qudaibi*	Member of the Board of Directors	Independent	-
6. Abdul-Rahman Amin Jawa*	Member of the Board of Directors	Non-Executive	Public Investment Fund
7. Mohammed Talal Al-Nahas*	Member of the Board of Directors	Non-Executive	GOSI
8. Mohammed Abdulaziz Al-Afaleq*	Member of the Board of Directors	Non-Executive	-
9. Mohammed Omair Al-Otaibi	Member of the Board of Directors	Non-Executive	Public Investment Fund
10. Nader Ibrahim Al-Wehibi	Member of the Board of Directors	Non-Executive	Hasana Investment Company

The Period from 31/10/2022 to 30/10/2025			
Member's Name	Position Representation	Membership Rating	Representation
1. Abdullah Mohammed Al-Issa	Chairman of the Board of Directors	Non-Executive	-
2. Mutaz Kusai AlAzzawi	Deputy Chairman of the Board of Directors	Independent	-
3. Ibrahim Hassan Sharbatly	Member of the Board of Directors	Independent	-
4. Jamal Abdul-Karim Al-Rammah	Member of the Board of Directors	Independent	-
5. Abdul Rahman Ismail Tarabzoni **	Member of the Board of Directors	Independent	-
6. Abdul Rahman Mohammed Al Thehaiban***	Member of the Board of Directors	Independent	-
7. Omar Hamad Al-Madhi	Member of the Board of Directors	Non-Executive	Public Investment Fund
8. Mona Mohammed Al-Taweel	Member of the Board of Directors	Independent	-
9. Nader Ibrahim Al-Wehibi	Member of the Board of Directors	Non-Executive	-
10. Hani Abdullah Al-Johani	Member of the Board of Directors	Non-Executive	GOSI
11. Yasser Abdullah Al-Salman	Member of the Board of Directors	Non-Executive	Public Investment Fund

* Membership expired on 30/10/2022

** Membership started on 19/12/2022, to succeed the resigned member

*** Membership ended on 27/11/2022 due to resignation

Board Meetings in 2022

Attendance Record of the Board Members, in Person and by Proxy, for the Board Meetings in 2022				
The Period from 01/01/2022 to 30/10/2022				
Member's Name	06.03.2022	12.04.2022	28.06.2022	08.08.2022
1. Abdullah Mohammed Al-Issa	✓	✓	✓	✓
2. Mutaz Kusai AlAzzawi	✓	✓	✓	✓
3. Ibrahim Hassan Sharbatly	✓	✓	✓	✓
4. Jamal Abdul-Karim Al-Rammah	✓	✓	✓	✓
5. Talal Ibrahim Al-Qudaibi*	✓	✓	✓	✓
6. Abdul-Rahman Amin Jawa*	✓	✓	✓	✓
7. Mohammed Talal Al-Nahas*	✓	✓	✓	✓
8. Mohammed Abdulaziz Al-Afaleq*	✓	✓	✓	✓
9. Mohammed Omair Al-Otaibi	✓	✓	✓	✓
10. Nader Ibrahim Al-Wehibi	✓	✓	✓	✓

The Period from 31/10/2022 to 31/12/2022		
Member's Name	31.10.2022	15.12.2022
1. Abdullah Mohammed Al-Issa	✓	✓
2. Mutaz Kusai AlAzzawi	✓	✓
3. Ibrahim Hassan Sharbatly	✓	✓
4. Jamal Abdul-Karim Al-Rammah	✓	✓
5. Abdul Rahman Ismail Tarabzoni**		
6. Abdul Rahman Mohammed Al Thehaiban***	✓	
7. Omar Hamad Al-Madhi	✓	✓
8. Mona Mohammed Al-Taweel	✓	✓
9. Nader Ibrahim Al-Wehibi	✓	✓
10. Hani Abdullah Al-Johani	✓	✓
11. Yasser Abdullah Al-Salman	✓	✓

* Membership expired on 30/10/2022

** Membership started on 19/12/2022

*** Membership ended on 27/11/2022

Committees Emanating from the Board of Directors



The Board of Directors of Riyadh Bank establishes and forms specialized committees emanating from it in accordance with the provisions of the regulations issued by the competent authorities to assist it in carrying out its duties and responsibilities where needed. The following is an explanation of the main duties of the Bank's Board Committees.

1- Executive Committee

Main Duties and Responsibilities

The Executive Committee exercises the credit, banking, financial and administrative powers in the Bank that are granted by the Board of Directors. The Executive Committee in the Bank consists of 5 members. The Executive Committee conducted 13 meetings during the year 2022 and the meeting attendance rate was 95%.

Executive Committee Meetings in 2022

Attendance Record of the Members of the Executive Committee for the Committee Meetings in 2022														
Member's Name		The Period from 01/01/2022 to 30/10/2022												The Period from 31/10/2022 to 31/12/2022
		03/01/2022	16/01/2022	24/02/2022	21/03/2022	14/04/2022	19/05/2022	16/06/2022	30/06/2022	07/08/2022	12/09/2022	16/01/2022	24/11/2022	01/12/2022
1. Talal Ibrahim Al-Qudaibi*	Chairman**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
2. Abdul-Rahman Amin Jawa*	Member	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓		
3. Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Mohammed Abdulaziz Al-Afaeq*	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
5. Nader Ibrahim Al-Wehibi	Member/Chairman***	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Abdul Rahman Mohammed Al Thehaiban****	Member												✓	
7. Mona Mohammed Al-Taweel	Member												✓	✓
8. Yasser Abdullah Al-Salman	Member												✗	✓

* Membership expired on 30/10/2022

** Chairmanship of the Executive Committee expired on 30/10/2022

*** Chairmanship of the Executive Committee started on 31/10/2022

**** Membership ended on 27/11/2022

2- Audit Committee

Main Duties and Responsibilities

The Audit Committee exercises supervisory oversight of the financial reporting processes, the processes related to compliance with the relevant laws and regulations. It monitors the effectiveness and efficiency of the internal control system, recommends the selection of auditors, studies and reviews the Interim and Annual Financial Statements, and recommends them to the Board of Directors.

The Audit Committee in the Bank consists of 5 members. The Audit Committee was formed by a decision from the General Assembly on 23.10.2022. The Audit Committee conducted 10 meetings during the year 2022 and the meeting attendance rate was 98%.

Audit Committee Meetings in 2022

Attendance Record of the Audit Committee Members for the Committee Meetings in 2022											
Member's Name		The Period from 01/01/2022 to 30/10/2022								The Period from 31/10/2022 to 31/12/2022	
		01/02/2022	02/03/2022	29/03/2022	25/04/2022	25/05/2022	03/08/2022	14/09/2022	20/10/2022	15/11/2022	27/12/2022
1. Jamal Abdul-Karim Al-Rammah	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mohammed Omair Al-Otaibi*	Member	✓	✓	✓	✓	✓	✓	✓	✓		
3. Tariq Abdullah Al-Qaraawy	External Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Abdul Raouf Suleiman Banaja*	External Member	✓	✓	✓	✓	✓	✓	✓	✗		
5. Abdul Aziz Khalid Al-Falih*	External Member	✓	✓	✓	✓	✓	✓	✓	✓		
6. Mona Mohammed Al-Taweel	Member									✓	✓
7. Eid Faleh Al-Shamri	External Member									✓	✓
8. Waddah Ibrahim Al Sheikh Mubarak	External Member									✓	✓

* Membership expired on 30/10/2022

3 - Risk Management Committee

Main Duties and Responsibilities

The Risk Management Committee assists the Board of Directors in carrying out its responsibilities by fully supervising the Bank's risk strategy, reviewing acceptable risk levels, making recommendations to the Board of Directors, and monitoring the Executive Management's commitment to the risk limits approved by the Board of Directors and their implementation. In this regard, it may review all aspects and the types of risks that the Bank is exposed to, review the extent of the Executive Management's commitment to the controls for managing these risks, and verify the adequacy of the measures taken to hedge them. The Risk Management Committee in the Bank consists of 3 members. The Risk Management Committee conducted 6 meetings during the year 2022 and the meeting attendance rate was 100%.

Risk Management Committee Meetings in 2022

Attendance Record of the Risk Management Committee Members for the Committee Meetings in 2022							
Member's Name	Position	The Period from 01/01/2022 to 30/10/2022					The Period from 31/10/2022 to 31/12/2022
		27/02/2022	05/04/2022	15/06/2022	26/07/2022	06/10/2022	21/12/2022
1. Mohammed Abdulaziz Al-Afalet*	Chairman**	✓	✓	✓	✓	✓	
2. Jamal Abdul-Karim Al-Rammah	Member	✓	✓	✓	✓	✓	✓
3. Mohammed Omair Al-Otaibi*	Member	✓	✓	✓	✓	✓	
4. Hani Abdullah Al-Johani	Chairman***						✓
5. Abdul Latif Ali Al-Rasheed	External Member						✓

* Membership expired on 30/10/2022

** Chairmanship of the Risk Management Committee expired on 30/10/2022

*** Chairmanship of the Risk Management Committee started on 31/10/2022

4 - Nomination and Compensation Committee

Main Duties and Responsibilities

The Nomination and Compensation Committee supports the Board of Directors with regard to the Board's governance, proposes a compensation policy for members of the Board of Directors, its Committees, and senior Management officials. It reviews and evaluates the adequacy and effectiveness of the compensation and incentives policy on a regular basis to ensure that the set goals are achieved, assesses the methods of compensation payment, and reviews the commitment rewards policy according to the rules of the Central Bank of Saudi Arabia.

The Nomination and Compensation Committee sets the nomination and selection policy for Board membership and ensures that all members meet the statutory requirements for Board membership in accordance with the relevant regulations. The Committee consists of 5 members. The Nomination and Compensation Committee conducted 6 meetings during the year 2022 and the meeting attendance rate was 100%.

Nomination and Compensation Committee Meetings in 2022

Attendance Record of the Nomination and Compensation Committee Members for the Committee Meetings in 2022							
Member's Name	Position	The Period from 01/01/2022 to 30/10/2022					The Period from 31/10/2022 to 31/12/2022
		27/02/2022	05/04/2022	15/06/2022	26/07/2022	06/10/2022	21/12/2022
1. Mutaz Kusai AlAzzawi	Chairman	✓	✓	✓	✓	✓	✓
2. Talal Ibrahim Al-Qudaibi*	Member	✓	✓	✓			
3. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓
4. Omar Hamad Al-Madhi	Member				✓	✓	✓
5. Ahmad Mohammed Al-Falih	External Member	✓	✓	✓	✓	✓	✓
6. Khalid Saleh Al-Turairi*	External Member	✓	✓	✓			
7. Ali Ahmed Al-Ghamdi	External Member				✓	✓	✓

* Membership expired on 30/10/2022

5- Strategic Planning Group

Main Duties and Responsibilities

The Strategic Planning Group supervises the preparation of the Bank's strategic directions and follows up and evaluates the steps taken to achieve its objectives. It provides the necessary support to the Board of Directors on strategic planning processes and matters of strategic importance, including business development and expansion. The Group is also responsible for monitoring the Bank's progress in achieving its long-term financial and strategic objectives. The Group consists of 5 members. The Strategic Planning Group conducted 2 meetings during the year 2022 and the meeting attendance rate was 90%.

Strategic Planning Group Meetings in 2022

Attendance Record of the Strategic Planning Group Members for the Group's Meetings in 2022			
Member's Name	Position	The period from 01/01/2022 to 30/10/2022	The period from 31/10/2022 to 31/12/2022
		03/07/2022	28/11/2022
1. Abdullah Mohammed Al-Issa	Chairman	✓	✓
2. Ibrahim Hassan Sharbatly	Member	✓	✓
3. Talal Ibrahim Al-Qudaibi*	Member	✓	
4. Abdul-Rahman Amin Jawa*	Member	✓	
5. Mohammed Talal Al-Nahas*	Member	✗	
6. Abdul Rahman Mohammed Al Thehaiban**	Member		
7. Omar Hamad Al-Madhi	Member		✓
8. Hani Abdullah Al-Johani	Member		✓

* Membership expired on 30/10/2022

** Membership ended on 27/11/2022



BOARD OF DIRECTORS

Abdullah Mohammed Al-Issa
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Memberships in other listed joint stock companies (inside the Kingdom)

- Chairman of the Board of Directors – Riyadh Bank

Current Positions

- Chairman of the Board of Directors – Assila Investment Company
- Chairman of the Board of Directors – Abdullah Mohammed Al-Issa Engineering Consulting Office
- Chairman of the Board of Directors – Amias Holding Company
- Chairman of the Board of Directors – Amias Real Estate Company
- Chairman of the Board of Directors – Shipping and Travel Services Company Ltd.

Previous Positions

- Vice Chairman of the Board of Directors - Clariant Switzerland
- Board Member - Saudi Basic Industries Corporation (SABIC)
- Chairman of the Board of Directors - Dur Hospitality Company
- Vice Chairman of the Board of Directors – Etihad Telecom Company (Mobily)
- Board Member – Saudi Arabian Mining Company (Maaden)
- Chairman of the Board of Directors – Arabian Cement Company
- Chairman of the Board of Directors – The National Medical Care Company
- Chairman of the Board of Directors – Cement Products Industries Company
- CEO – Assila Investment Company
- Chairman of the Board of Directors – Saudi Company for Construction Contracting
- Board Member – Jadwa Investment Company
- Board Member – Saudi Company for Hotels and Tourist Areas
- Board Member – Gulf Tourist Areas Company
- Board Member – King Faisal Schools
- Board Member – National Chemical Carriers Company
- Board Member – Tabuk Hotels Company
- Board Member – Riyadh Hotels and Entertainment Company Ltd.
- Board Member – The National Shipping Company of Saudi Arabia

Qualifications

- Master of Science in Engineering Project Management – Southern Methodist University, USA
- Bachelor of Industrial Engineering – Southern Methodist University, USA

Mutaz Kusai AlAzzawi
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Memberships in other listed joint stock companies (inside the Kingdom)

- Vice Chairman of the Board of Directors – Riyadh Bank
- Chairman of the Board of Directors – Herfy Food Services Company
- Board Member – Savola Group
- Board Member – Arabian Cement Company
- Board Member – Etihad Telecom Company (Mobily)

Current Positions

- Board Member – Savola Food Company
- Board Member – Afia International Company
- Board Member – United Sugar Company
- Chairman of the Board of Directors – Al-Qatrana Cement Company, Jordan
- Board Member – Ready Mix Concrete and Construction Services Company, Jordan
- Board Member – United Sugar Company, Egypt
- Board Member – Afia International Company, Egypt
- Board Member – Alexandria Sugar Company, Egypt
- Board Member – The Queen Company for Food Industries, Egypt
- Board Member and Executive Director – Saudi Industrial Construction and Engineering Projects Company
- Board Member and Executive Director – Saudi Technology and Trade Company Ltd.
- Board Member and Executive Director – Al Wusataa Development Company

Previous Positions

- Board Member – Merle Lynch, Kingdom of Saudi Arabia
- Board Member – Al-Azzawi Group

Qualifications

- Bachelor of Computer Engineering – King Saud University

Ibrahim Hassan Sharbatly
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Memberships in other listed joint stock companies (inside the Kingdom)

- Board Member – Riyadh Bank

Current Positions

- Chairman of the Board of Directors – First International Business Group
- Vice Chairman of the Board of Directors – Al Nahla Group and Contracting Company
- Vice Chairman of the Board of Directors – Saudi Arabian Marketing and Agencies Company Ltd. (SAMA-CO)
- Vice Chairman of the Board of Directors – Fast Auto Technology Company Limited (FAST)
- Chairman of the Board of Directors – Smile Communications, Africa
- Board Member – Golden Coast, Egypt

Previous Positions

- Board Member – Commercial Union for Cooperative Insurance

Qualifications

- Bachelor of Business Administration – College of Commerce and Business Administration, Bristol, Britain

Jamal Abdul-Karim Al-Rammah
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Memberships in other listed joint stock companies (inside the Kingdom)

- Board Member – Riyadh Bank

Current Positions

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Previous Positions

- Chairman of the Board of Directors – Saudi Aramco Insurance Company (Stellar)
- Board Member – Saudi Aramco Investment Management Company (SIAMCO)
- Board Member – Fujian Refining & Petrochemical Company, S - Oil
- Board Member – Gard Company
- Board Member – Bandlewood Corporation NV
- Board Member – Motor Oil Hellas Company
- Board Member – Jeddah Oil Refining Company
- Treasurer – Saudi Arabian Oil Company (Aramco)
- Chair of the Compensation and Documentation Committee for a number of subsidiaries and joint companies - Saudi Arabian Oil Company (Aramco)
- Member and Chairman of Committees in Aramco and in several companies affiliated with Saudi Aramco and joint companies inside and outside the Kingdom
- Finance General Manager - Saudi Arabian Oil Company "Aramco"
- General Manager, Documentation - Saudi Arabian Oil Company "Aramco"

Qualifications

- Management Executive Program – Harvard University, USA
- Bachelor of Management and Economics
- Attended a number of management and finance programs at many international and domestic universities and institutions

**Nader Ibrahim
Al-Wehibi**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Riyad Bank
- Board Member - Saudi Basic Industries Corporation (SABIC)

Current Positions

- CEO - Gulf Catering Company
- Board Member - Madad Business Company

Previous Positions

- Board Member - Clariant, Switzerland
- Board Member - Future Work company
- Assistant Governor, Insurance Affairs - General Organization for Social Insurance
- Board Member - Jarir Marketing Company
- Board Member - The National Medical Care Company
- General Director, Planning and Development - General Organization for Social Insurance
- Secretary General for Board of Directors - General Organization for Social Insurance
- Consultant, Pensions Administration - General Organization for Social Insurance

Qualifications

- Master of Arts in Social Protection Policies - Maastricht University, Netherlands
- Bachelor of Insurance - Indiana State University, USA

**Abdul Rahman
Ismail Tarabzoni**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Jarir Marketing Company (Jarir Bookstore)

Current Positions

- CEO and Founder - STV (Technology Investment Platform)
- Chairman and Founder - Saudi Arabia's Venture Capital and Private Equity Association
- Member of the Board of Trustees - King Fahd National Library
- Consultant - The Small and Medium Enterprises General Authority (Monsha'at)

Previous Positions

- Board Member - Saudi Digital Payments Company (stc pay)
- Board Member - Saudi Technology Development and Investment Company (Taqlia)
- Board Member - Kareem
- Board Member - IKEA Saudi Arabia
- Board Member - Intigral
- Board Member - Jawwy (from stc)
- Head of Global Business Development, Android - Google

Qualifications

- Master of Electrical Engineering and Computer Science - Massachusetts Institute of Technology - USA
- Bachelor of Computer Science and Engineering - Massachusetts Institute of Technology, USA

**Omar Hamad
Al-Madhi**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Riyad Bank
- Board Member - Aqua Power Company

Current Positions

- Head, Direct Investments in the Middle East and North Africa - Public Investment Fund
- Board Member - Saudi Arabian Industrial Investment Company (Dussur)
- Board Member - Saudi Fund of Funds Company (Jada)

Previous Positions

- Board Member - National Agricultural Development Company
- Board Member - Saudi Fisheries Company
- Senior Executive Director and Board Member - Abdul Latif Jameel Investments
- Senior Executive Director - Volkswagen Group Saudi Arabia
- Assistant Undersecretary - SGIA
- Consultant - McKinsey & Company
- Research Engineer - Saudi Aramco

Qualifications

- Master of Business Administration - Massachusetts Institute, USA
- Bachelor of Chemical Engineering - University of Pennsylvania, USA

**Mona Mohammed
Al-Taweel**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Riyad Bank

Current Positions

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Previous Positions

- Adviser, Finance Minister's Team of Advisers - Ministry of Finance
- CEO - FAB Capital
- CEO - Emirates NBD Capital KSA
- Syndicated Loans Manager - HSBC Saudi Arabia
- Member of the Investment and Securities Committee - Riyadh Chamber of Commerce

Qualifications

- Master of Business Administration - George Washington University
- Bachelor of Accounting - King Saud University

**Hani Abdullah
Al-Johani**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Riyadh Bank

Current Positions

- Head of International Investments - Hassana Investment Company
- Board Member - James Education KSI Holding
- Board Member - Maarif for Education and Training
- Audit Committee Member - Jawda Integrated Real Estate
- Audit Committee Member - Umm Al Qura for Development and Construction
- Audit Committee Member - Osool Integrated Real Estate Co.
- Audit Committee Member - Raza Company

Previous Positions

- Board Member, Audit Committee Member and Risk Committee Member - Dar Al Tamleek Company
- Director of Alternative Investments Department - Hassana Investment Company
- Investment Analyst in the Investment Research Department - General Organization for Social Insurance

Qualifications

- Bachelor of Commerce in Economics and Finance - Saint Mary's University, Canada

**Yasser Abdullah
Al-Salman**



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Riyadh Bank
- Board Member - General National Maritime Transport Company

Current Positions

- Head of the General Department of Finance - Public Investment Fund
- Board Member - Saudi Military Industries Company (SAMI)
- Board Member - National Maritime Transport Company
- Board Member - King Abdullah Financial District Development Company
- Board Member - National Water Company (NWC)
- Board Member - Saudi Agricultural and Livestock Investment Company (SALIC)

Previous Positions

- Board Member - Saudi Railways Company (SAR)
- Executive Director, Financial Department - Saudi Agricultural and Livestock Investment Company (SALIC)
- General Manager, Investments - Etihad Etisalat (Mobily)
- Executive Director, Financial Affairs - Kingdom Holding Company
- Executive Director, Finance - Kingdom Holding Company

Qualifications

- Master of Accounting and Information Systems - Middle Tennessee State University, USA
- Bachelor of Accounting - King Saud University

**Mohammed Omair
Al-Otaibi***



**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Board Member - Saudi Reinsurance Company
- Deputy Chairman of the Board of Directors - Abdullah Saad Abu Moati Company for Libraries
- Board Member - Saudi Chemical Company Holding

Current Positions

- CEO - Zameen E-Marketing Company
- Member of the Audit Committee - Al Mojil Trading and Contracting Company
- Board Member - Omran Najd Industries

Previous Positions

- Board Member - Al Yamamah Steel Industries Company
- Chairman of the Board of Directors - National Gas and Industrial Company
- Board Member - Middle East Ship Management Company, Dubai
- Board Member - NSCSA, Baltimore, USA
- Board Member - Bahri Bulk Cargo Company
- Board Member - United Arab Company for Flat Glass
- Board Member - National Chemical Carriers Company
- Board Member - Abdullah Saad Abu Moati Company for Libraries
- Board Member - Petradec Company for Gas Trade and Transportation
- Board Member - ISRE Insurance Company, Luxembourg
- Board Member - West of England Insurance, Luxembourg
- Executive Vice President, Finance - The National Shipping Company of Saudi Arabia

Qualifications

- Master of Business Administration - Western Michigan University, USA
- Advanced Management Program - Harvard University, USA
- Executive Management Program - University of Michigan, USA
- Strategic Banking Management Program, Ireland
- Bachelor of Arts in English Language - Imam Muhammad Ibn Saud Islamic University

* Membership ended on 30/10/2022

**Talal Ibrahim
Al-Qudaibi***



**Memberships in other listed joint stock companies
(inside the Kingdom)**

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Current Positions

- Member of the Shura Council

Previous Positions

- CEO - Riyadh Bank and prior to that, held several functional positions in the Bank since joining it in 1983
- Chairman - Royal & Sun Alliance Insurance (Middle East), Bahrain
- Board Member - Riyadh Capital Company
- Board Member - National Industrialization Company
- Board Member - Saudi Spanish Bank
- Board Member - Gulf Bank, Riyadh
- Board Member - Yopaf, Hong Kong
- Board Member - Riyadh Bank, Europe

Qualifications

- Master of Arts in Economics - University of Southern California, USA
- Bachelor of Business Administration - Portland State University, USA

* Membership ended on 30/10/2022

**Abdul-Rahman
Amin Jawa***

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**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Chairman of the Board of Directors – Saudi Hardware and Tools Company (SACO)

Current Positions

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Previous Positions

- Business Development Consultant – Riyadh Bank
- Chairman of the Board of Directors – Saudi Travel Check Company
- Chairman of the Board of Directors – Banque Bemo Saudi Fransi
- Vice Chairman of the Board of Directors – Saudi Fransi Capital
- Board Member – Allianz Saudi Fransi Cooperative Insurance Company
- Board Member – Cam Saudi Fransi Company
- Board Member – Fransi Tadawul Company
- Board Member – Sofinco Company
- Board Member – Saudi Insurance Company (INSAUDI)
- Board Member – Al-Amthal Owing Company
- Board Member – Banque Saudi Fransi
- Deputy Managing Director – Banque Saudi Fransi
- Regional Director, Central Region – Banque Saudi Fransi
- Director, Main Branch, Riyadh – Banque Saudi Fransi
- General Manager – Hisham Trading Corporation
- Assistant Manager – The Saudi Investment Bank
- Assistant Manager – First National City Bank, Riyadh

Qualifications

- Advanced Management Program, Business Administration – Harvard University, USA (Training Program)
- Bachelor of International Business Administration – Ohio University, USA

* Membership ended on 30/10/2022

**Mohammed Talal
Al-Nahas***

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**Memberships in other listed joint stock companies
(inside the Kingdom)**

- Chairman of the Board of Directors and Member of the Executive Committee – Saudi Company for Pharmaceutical Industries and Medical Appliances
- Board Member and Member of the Nomination and Remuneration Committee – Saudi Basic Industries Corporation (SABIC)
- Board Member and Member of the Executive Committee – Saudi Telecom Company

Current Positions

- Governor and Board Member of the General Organization for Social Insurance
- Chairman of the Board of Directors - The Cooperative Company for Real Estate Investment
- Chairman of the Board of Directors - Asma Capital
- Chairman of the Board - Dammam Pharma

Previous Positions

- Board Member and Member of the Compliance and Risk Committee - International Water and Energy Works Company (Aquapower)
- Governor and Board Member - Public Pension Agency
- Chairman of the Executive Committee - Public Pension Agency
- Member of the Nominations and Remuneration Committee - Public Pension Agency
- Member of the Audit Committee - Public Pension Agency
- Chairman of the Board of Directors - Raza Company
- Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee - The Leading Investment Company
- Board Member - National Center for Privatization
- Board Member - Taiba Holding Company
- Board Member and Member of the Executive Committee - Saudi Travelers Checks Company
- General Manager, Branch Banking - Alinma Bank
- Regional Director, Central Region Branches - Samba Financial Group
- Head of Banking Transactions and Express Transfers branches - Samba Financial Group
- Deputy General Manager, Human Resources - Samba Financial Group
- Senior Product Manager - Samba Financial Group
- Product Officer/Director - Samba Financial Group

Qualifications

- Executive Management Program – University of Michigan, USA
- Bachelor of Accounting – King Saud University

* Membership ended on 30/10/2022

**Mohammed Abdulaziz
Al-Afaleq***

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**Memberships in other listed joint stock companies
(inside the Kingdom)**

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Current Positions

- Chairman of the Executive Committee – Al-Hussein and Al-Afaliq Group
- Board Member – Ahdaf Holding Company
- CEO – Al-Ahsa Cooling Company, a subsidiary of Ahdaf Holding Company
- CEO – Catering Complex Company, a subsidiary of Ahdaf Holding Company
- CEO – Company Lee Lee Sweet Furnished Residential Branch of Catering Complex Company, a subsidiary of Ahdaf Holding Company
- Chairman of the Board of Directors – An-Najah Trading Company
- Chairman of the Advisory Council – Al-Ahsa Health Cluster Company

Previous Positions

- Chairman of the Board of Directors – Al-Hussein and Al-Afaliq Group
- Board Member – Al-Ahsa Food Industries Company
- General Manager, Industrial Projects – Al-Hussein and Al-Afaliq Group of Companies
- Administrative Director – Al-Ahsa Automatic Bakeries Company

Qualifications

- Master of Business Administration – St. Edward University, Austin, USA
- Bachelor of Science in Industrial Management – King Fahd University of Petroleum and Minerals

* Membership ended on 30/10/2022

**Abdul Rahman Mohammed
Al Thehaiban****

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**Memberships in other listed joint stock companies
(inside the Kingdom)**

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Current Positions

- Regional Director - Google Cloud, Middle East, Turkey and Africa

Previous Positions

- Regional Director - Oracle Corporation, Middle East, Africa, Central and Eastern Europe
- Saad Corporation for Computers
- Board Member - Saudi Industrial Export Company
- Board Member - FIPCO

Qualifications

- Master of International Trade - University of Edinburgh
- Higher Technical Diploma in Computer Studies - Nottinghamshire College

** Resigned on 27/11/2022

EXECUTIVE MANAGEMENT

Tareq Abdulrahman Al-Sadhan

Chief Executive Officer

**Previous positions**

- Senior Executive Vice President and the Chief Financial Officer - Riyadh Bank
- CEO/Managing Partner and the Chairman of the Advisory Committee - KPMG, Saudi Arabia
- Advisor to the Chairman - Saudi Fund for Development (SFD)
- Acting Director General - General Authority for Zakat and Tax (GAZT)
- Deputy Governor for Supervision - the Saudi Central Bank (SAMA)

Qualifications

- Master of Business Management - Ecole National des Ponts et Chaussees, France
- Bachelor's level qualification in Accounting ACA - King Saud University

Mohammed Abo Al-Naja

Chief Corporate Banking Officer

**Previous positions**

- Executive Vice President, Head of Corporate Banking Service and Senior Vice President, Manager Multinationals, Regional Director of Corporate Banking - Central Region - Riyadh Bank
- Senior Manager, Corporate and Investment Banking - SAMBA Financial Group
- Worked at the Ministry of Foreign Affairs (MOFA) and the Saudi Telecom Company (STC)

Qualifications

- Bachelor of Law - King Saud University

Waleed Khalid Al-Dhubaib

Chief Retail Banking Officer

**Previous positions**

- Head of Branch Network and Sales - Riyadh Bank
- Head of Branch Network and Sales - Banque Saudi Fransi
- Head of Private Banking - Al Rajhi Bank

Qualifications

- Bachelor of Science in Finance - King Fahd University of Petroleum and Minerals

Nadir Sami Al-Koraya

Chief Treasury and Investment (CTIO)

**Previous positions**

- Executive Vice President Treasury and Investments, Head of Treasury and Investments, Treasurer - Riyadh Bank
- Assistant General Manager, Treasury Group - Samba Bank

Qualifications

- MBA - University of California, UAE
- Master in Business Administration - University of California

Grant Eric Lowen

Chief Risk Officer

**Previous positions**

- Group Chief Credit and Risk Officer - Bank ABC Bahrain
- Group Chief Risk Officer - QNB Qatar
- Chief Risk Officer International Financial Services - Commonwealth Bank of Australia (CBA)
- Group Auditor - Commonwealth Bank of Australia (CBA)

Qualifications

- Bachelor's level qualification in Accounting ACA - Christchurch Technical College

Abdullah Ali Al-Oraini

Chief Financial Officer

**Previous positions**

- Chief Financial Officer - AlAwwal Bank (formally Saudi Hollandi Bank)
- Head of Reporting, Asset and Liability Management and Investor Relations Department - Saudi British Bank (SABB)
- Head of Capital and Liquidity Management, Senior Financial Analyst - National Commercial Bank (NCB)

Qualifications

- Master of Management Sciences - University of Waterloo, Canada
- Bachelor of Science in Electrical Engineering - King Fahd University of Petroleum and Minerals

Enji Ahmed Al-Ghazzawi



Chief Operating Officer



Previous positions

- EVP of Operations - Riyadh Bank
- Faculty Member - King Saud University

Qualifications

- Bachelor's degree in English Language and Translation - King Saud University

Mazen Mohamed Khalefah



Chief Human Capital Officer



Previous positions

- Executive Vice President Human Capital - Riyadh Bank
- General Manager, HR Department - Saudi Arabian Monetary Authority (SAMA)
- HR leadership positions at various banks, including Head of Learning and Talent at Saudi British Bank (SABB)
- Head of Talent Acquisition and People Development - Bank AlBilad
- Head of Training Relationship Management - National Commercial Bank (NCB)

Qualifications

- Bachelor of Industrial Engineering - King Abdulaziz University

Haifa Othman Bin Ahmed



Acting Chief Experience Officer



Previous positions

- Head of Customer Champion Department - Riyadh Bank
- Various leading roles in bank's branches from customer services to Branch Manager

Qualifications

- Bachelor's Degree in Accounting and Business Management - King Saud University

Mazen Ghassan Pharaon



Chief Digital Officer



Previous positions

- Partner - Deloitte ME
- Deloitte Digital Center Leader
- Chief Technology Officer - Samba Financial Group
- Founding team member to build and launch Alinma Bank. Project leader to launch Alinma Investment Co.
- SPAN2 and PoS program leader in SAMA

Qualifications

- Bachelor of Computer Engineering - King Saud University



Qualifications and Experience of External Committee members



Member's Name	Current Positions	Previous Positions	Qualifications
Audit Committee			
1. Tariq Abdullah Al-Qaraawy	<ul style="list-style-type: none"> Audit Committee Member - Riyadh Bank Audit Committee Member - Savola Group Audit Committee Member - Savola Food Company Board Member, Financial Investment Funds - Osool and Bakheet Investment Company Board Member - Evening Cups for Beverages Co. Board Member - Amana Cooperative Insurance Company 	<ul style="list-style-type: none"> Vice President - Compliance and Quality Assurance Building Development Company Board Member - Digital Innovations Company Member of the Audit Committee - Tabuk Fish Company Board Member, Chairman of the Executive Committee and Member of the Nomination and Remuneration Committee - Salama Insurance Company Founder and CEO - Idfaa Office for Management Consulting Regional Director, Corporate Banking Group - Bank Albilad Director, Strategy and Planning - Bank Albilad Senior Relationship Manager, Corporate Banking - SABB Bank Director, Islamic Banking, Corporate Banking - SABB Bank Relationship Officer, Corporate Banking - The Saudi Investment Bank 	<ul style="list-style-type: none"> Master of Accounting - George Washington University, USA Bachelor of Accounting - King Saud University Certified Management Accountant (CMA) - Institute of Management Accountants of America IMA Certified Financial Manager (CFM) - IMA
2. Abdul Raouf Sulleiman Banaja	<ul style="list-style-type: none"> Audit Committee Member - Herfy Food Services Company Audit Committee Member - Kinan International Real Estate Development Company Audit Committee Member - Special Economic Zones and Cities Authority Audit Committee Member - Jeddah Projects Office 	<ul style="list-style-type: none"> Audit Committee Member - Savola Group Audit Committee Member - Panda Retail Company Board Member - AlAhli Capital Funds Board Member - SEDCO Capital Funds Chairman of the Board of Directors - Building Proper Real Estate Fund Company Chairman - SEDCO Capital Flexible Saudi Equity Fund Chairman of the Board of Directors - SEDCO Capital REIT Fund Chairman of the Board of Directors - SEDCO Capital Real Estate Income Fund 1 Chairman of the Board of Directors - SEDCO Capital Real Estate Income Fund 2 Board Member - United Matbouli Group Audit Committee Member - Savola Food Company Board Member, Equity Funds - National Commercial Bank Independent Consultant Director, Corporate Finance Department - Alawwal Financial Services Senior Vice President and Member of the Executive Committee - Saudi Economic and Development Holding Company (SEDCO) Regional Director - Saudi Economic and Development Company (SEDCO), Egypt Assistant General Manager and Director of International Banking - National Commercial Bank Regional Manager - Gulf International Bank, Middle East, Bahrain Adviser to the Deputy Governor - Saudi Central Bank Assistant General Manager, Corporate Banking - SABB Bank Credit Sector Manager - SABB Bank Economic Adviser - Ministry of Finance Assistant Professor and Head of Quantitative Analysis Department - King Saud University 	<ul style="list-style-type: none"> PhD in Economics - University of California, USA Master of Economics - University of California, USA Bachelor of Mathematics and Physics - University of Riyadh

Member's Name	Current Positions	Previous Positions	Qualifications
Audit Committee			
3. Abdul Aziz Khalid Al-Falih	<ul style="list-style-type: none"> Partner and Board Member - Badwa Capital, Dubai, UAE 	<ul style="list-style-type: none"> Director - McKinsey & Company Investment Partner - TPG Capital, San Francisco, USA Investment Partner - Aramco, KSA 	<ul style="list-style-type: none"> Master of Business Administration -Stanford University, USA Bachelor of Chemical Engineering - Massachusetts Institute of Technology (MIT), USA
4. Eid Faleh Al-Shamri	<ul style="list-style-type: none"> Audit Committee Member - Riyadh Bank Board Member and Chairman of the Audit Committee - Al Hassan Ghazi Ibrahim Shaker Company Board Member, Audit Committee Member, Governance Committee Member, and Nomination and Remuneration Committee Member - Aldrees Petroleum and Transport Services Company Board Member and Chairman of the Audit Committee - Fawaz Abdulaziz Alhokair and Partners Company Board Member, Audit Committee Member, and Social Responsibility Committee Member - Taiba Investment Company Board Member - Gscoco Audit Committee Member - Almarai Company Audit Committee Member - King Salman Park Foundation Audit Committee Member - Al-Masar Al-Riyadh Foundation 	<ul style="list-style-type: none"> Board Member and Chairman of the Audit Committee - Alitco Company Board Member and Chairman of the Investment Committee - Amana Cooperative Insurance Company Board Member - RDB-ELSEIF CO. Board Member - INMAIA Investment and Real Estate Development Board Member - Banque Saudi Fransi 	<ul style="list-style-type: none"> Bachelor of Science in Industrial Management - King Fahd University of Petroleum and Minerals American Board of Chartered Accountants Fellowship AICPA Member since 1995
5. Waddah Ibrahim Al Sheikh Mubarak	<ul style="list-style-type: none"> Audit Committee Member - Riyadh Bank Chairman of the Risk and Audit Committee - Majd Investment Vice Dean of the College of Applied Studies - King Faisal University Head of Finance Department - King Faisal University Assistant Professor - King Faisal University Member of the Executive Committee of the Investment Fund - King Faisal University 	<ul style="list-style-type: none"> Lecturer - King Faisal University Teaching Assistant - King Faisal University Executive Supply Chain Representative - SABIC 	<ul style="list-style-type: none"> PhD in Finance - Middlesex University, UK Master of Finance - University of Portsmouth, UK Bachelor of Marketing - King Faisal University

Member's Name	Current Positions	Previous Positions	Qualifications
Nomination and Remuneration Committee			
1. Ahmed Mohammed Al-Falih	<ul style="list-style-type: none"> Nomination and Remuneration Committee Member - Riyadh Bank Managing Director, Contracting, Operation and Maintenance and Chairman of the Executive Committee - Saudi International Bin Laden Group Board Member - Bin Laden International Holding Group Board Member - Herfy Food Services Company Board Member - Al Jouf Cement Company Board Member - Technical United Board Member and Executive Director - The Leading Commercial Representation Company Board Member - Mohammed Saleh Al-Sultan Consulting Professionals 	<ul style="list-style-type: none"> Board Member - Musa Abdul Aziz Al Mousa & Sons Board Member - Advanced Seal Company Board Member - Aluminum Products Co. - Bako Board Member - Holding Facilities Company Board Member - Easy Transport Company Consultant - Facilities Marketing Company General Manager - Facilities Marketing Company President - Group of Companies Mashreq General Manager - Al-Mashreq Contracting Company General Manager - Olayan Food Services Company President - Tiné Company International Vice President - Riyadh International Corporation Vice President, Financial and Administrative Affairs - Saudi Company for Operation and Maintenance Engineering Projects - Ministry of Health Project Engineer - Ibn Al-Bitar Company (SABIC) 	<ul style="list-style-type: none"> Bachelor of Civil Engineering - King Fahd University of Petroleum and Minerals
2. Khalid Saleh Al-Turaiiri	<ul style="list-style-type: none"> General Manager of Special Projects, Human Resources - Saudi Basic Industries Corporation (SABIC) 	<ul style="list-style-type: none"> Board Member - Hadeed Company (SABIC) Board Member - National Entrepreneurship Institute General Manager, Learning and Development, Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager, Benefits and Compensation, Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager, Middle East, Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager, Personnel Services, Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager, Information Technology - Saudi Basic Industries Corporation (SABIC) 	<ul style="list-style-type: none"> Bachelor of Computer Science and Engineering - King Fahd University of Petroleum and Minerals
3. Ali Ahmed Al-Ghamdi	<ul style="list-style-type: none"> Nomination and Remuneration Committee Member - Riyadh Bank General Manager, Executive Benefits and Compensation and Human Resources Business Partner - Saudi Basic Industries Corporation (SABIC) Board Member - Hadeed Company (SABIC) Board Member - Gulf Petrochemical Industries Company 	<ul style="list-style-type: none"> Executive Director, Global Mobility Company - Saudi Basic Industries Corporation (SABIC) Executive Director, Executive Benefits and Compensation - Saudi Basic Industries Corporation (SABIC) Recruitment Department Manager - Saudi Basic Industries Corporation (SABIC) Human Resource Specialist - Saudi Basic Industries Corporation (SABIC) 	<ul style="list-style-type: none"> Bachelor of Business Administration (Administrative Systems) - Arab Open University

Member's Name	Current Positions	Previous Positions	Qualifications
Risk Management Committee			
1. Abdul Latif Ali Al-Rasheed	<ul style="list-style-type: none"> Risk Management Committee Member - Riyadh Bank Director General, Cyber Security - Saudi Air Navigation Services 	<ul style="list-style-type: none"> Head, Cyber Security - Engie Corporation Head, Cyber Security Project - Saudi Arabian Oil Company (Aramco) 	<ul style="list-style-type: none"> Master of Information Security - Georgia Institute of Technology, USA Bachelor of Computer Engineering - University of New Haven

Evaluating the Performance of the Board of Directors and its Committees

The Board of Directors uses an external party to evaluate the performance of the Board and its Committees, through the participation of members in extensive and comprehensive questionnaires based on international best practices in governance, in order to identify strengths and weaknesses to enhance the effectiveness of the performance of the Board of Directors and its Committees.

Actions taken by the Board of Directors to inform its members - especially Non-Executives - of Shareholders' proposals and comments about the Company and its performance

The proposals received from the Shareholders during the General Assembly meetings, as well as any other proposals that are received by the Bank are presented to the Chairman of the Board of Directors. He is required to present them to the next Board Meeting and record them in the minutes of the Board, if any.

Any recommendations from the Audit Committee which conflicts with the decisions of the Board of Directors, or any situation where the Board refused to consider any recommendations regarding the appointment or dismissal of the Auditor of Riyadh Bank, the determination of his fees or evaluating his performance; if so the rationale for these recommendations, and the reasons for not taking them

There are no recommendations from the Audit Committee that conflicts with the decisions of the Board of Directors, and the Board of Directors has not rejected any recommendations regarding the appointment of an auditor of Riyadh Bank, his dismissal, the determination of his fees, or the evaluation of his performance.

Compensation of the members of the Board of Directors, its Committees, and Senior Executives during the year 2022

The compensation paid to the members of the Board of Directors of Riyadh Bank and the Committees emanating from it are determined in accordance with the frameworks set by the instructions issued by the supervisory authorities, and are generally governed by the main principles of governance for banks operating in the Kingdom of Saudi Arabia, compensation practices controls issued by the Saudi Central Bank, the Corporate Governance Regulations issued by the Capital Market Authority, Companies Law issued by the Ministry of Commerce, and the Bank's Articles of Association.

The Board of Directors - based on the recommendation of the Nomination and Compensation Committee - determines the compensation for the Senior Executives, so that the compensation is consistent with the strategic objectives of the Bank, and that they are effective in motivating Senior Executives to achieve those goals.

Compensation of Board Members

		Fixed Compensation										
		Specific Amount*	Board Meetings Attendance Allowance	Total Attendance Allowance for Committees **	In-kind Benefits	The Remuneration of Technical, Administrative and Consulting	The Remuneration of the Chairman, the Managing Director or Secretary if he is a member	Total	Variable Remuneration ***	End of service benefits	Gross total	Expense allowance **** (SAR 000's)
Name												
Independent Members	Mutaz Kusai AlAzzawi	375	30	95	-	-	-	500	-	-	500	-
	Ibrahim Hassan Sharbatly	400	30	10	-	-	-	440	-	-	440	34.88
	Jamal Abdul-Karim Al-Rammah	400	30	90	-	-	-	520	-	-	520	70.62
	Talal Ibrahim Al-Qudaibi	333	20	80	-	-	-	433	-	-	433	-
	Abdul Rahman Ismail Tarabzoni	14.4	-	-	-	-	-	14	-	-	14	-
	Abdul Rahman Mohammed Al Thehaiban	31	5	5	-	-	-	41	-	-	41	-
	Mona Mohammed Al-Taweel	66.6	10	25	-	-	-	101.6	-	-	101.6	-
	Independent Members	1,619.6	125	305	-	-	-	2,049.6	-	-	2,049.6	105.5
Non-Executive Members	Abdullah Mohammed Al-Issa	460	30	10	-	-	1,000	1,500	-	-	1,500	-
	Abdul-Rahman Amin Jawa	333	20	50	-	-	-	403	-	-	403	-
	Mohammed Abdulaziz Al-Afaleq	333	20	85	-	-	-	438	-	-	438	19.13
	Mohammed Omair Al-Otaibi	333	20	70	-	-	-	423	-	-	423	-
	Mohammed Talal Al-Nahas	333	20	-	-	-	-	353	-	-	353	-
	Nader Ibrahim Al-Wehibi	370	30	100	-	-	-	500	-	-	500	-
	Omar Hamad Al-Madhi	66.6	10	20	-	-	-	96.6	-	-	96.6	-
	Yasser Abdullah Al-Salman	66.6	10	5	-	-	-	81.6	-	-	81.6	-
	Hani Abdullah Al-Johani	66.6	10	10	-	-	-	86.6	-	-	86.6	-
	Non-Executive Members	2,361.8	170	350	-	-	1,000	3,881.8	-	-	3,881.8	19.13
Total		3,981.4	295	655	-	-	1,000	5,931.4	-	-	5,931.4	124.63

* The compensation of the members of the Board of Directors amounts to SAR 400,000 for each member, while the compensation of the Chairman of the Board of Directors is SAR 500,000 in addition to a special reward of SAR 1,000,000, noting that the maximum total compensation for each member, including the Chairman of the Board of Directors, does not exceed the amount of SAR 500,000, including allowances, for attending the meetings of the Board of Directors and its Committees as specified in the Companies Law, except for the compensation of the members of the Audit Committee that does not fall within the scope of the maximum limit stipulated in the Companies Law in accordance with the regulatory controls and procedures issued in implementation of the Companies Law for Joint Stock Companies issued by the Capital Market Authority.

** Allowance for attending Committee meetings emanating from the Board of Directors includes allowance for members of the Board of Directors who are not members of such Committees but are invited to attend them by the Committee, and therefore the total amount each member is entitled to in return for attending the Committees' meetings may not be equal to the other statement of the allowance for attendance of Committee members.

*** Variable bonuses include (percentage of profits, periodic bonuses, short-term incentive plans, long-term incentive plans, bonus shares)

**** Expenses allowance includes transportation and accommodation expenses for members of the Board of Directors and its Committees.

Remuneration of members of Committees emanating from the Board of Directors

Name	Fixed Rewards (except for the allowance for attending meetings)	Allowance for Attending Meetings	Total	Expense Allowance*
Executive Committee Members				
1. Talal Ibrahim Al-Qudaibi**	-	55	55	-
2. Abdul-Rahman Amin Jawa**	-	45	45	-
3. Mutaz Kusai AlAzzawi	-	65	65	-
4. Mohammed Abdulaziz Al-Afaleq**	-	55	55	-
5. Nader Ibrahim Al-Wehibi	-	65	65	-
6. Abdul Rahman Mohammed Al Thehaiban***	-	5	5	-
7. Mona Mohammed Al-Taweel	-	10	10	-
8. Yasser Abdullah Al-Salman	-	5	5	-
Total	-	305	305	-
Audit Committee Members				
1. Jamal Abdul-Karim Al-Rammah	-	50	50	-
2. Mohammed Omair Al-Otaibi**	-	40	40	-
3. Tariq Abdullah Al-Qaraawy (external)	120	50	170	-
4. Abdul Raouf Suleiman Banaja (external)**	100	35	135	-
5. Abdul Aziz Khalid Al-Falih (external)**	100	40	140	-
6. Mona Mohammed Al-Taweel	-	10	10	-
7. Eid Faleh Al-Shamri	20	10	30	-
8. Waddah Ibrahim Al Sheikh Mubarak (external)	20	10	30	8.1
Total	360	245	605	8.1
Risk Management Committee Members				
1. Mohammed Abdulaziz Al-Afaleq**	-	25	25	-
2. Jamal Abdul-Karim Al-Rammah	-	30	30	-
3. Mohammed Omair Al-Otaibi**	-	25	25	-
4. Hani Abdullah Al-Johani	-	5	5	-
5. Abdul Latif Ali Al-Rasheed(external)	20	5	25	12
Total	20	90	110	12

Name	Fixed Rewards (except for the allowance for attending meetings)	Allowance for Attending Meetings	Total	Expense Allowance*
Nomination and Compensation Committee Members				
1. Mutaz Kusai AlAzzawi	-	30	30	-
2. Talal Ibrahim Al-Qudaibi**	-	15	15	-
3. Nader Ibrahim Al-Wehibi	-	30	30	-
4. Omar Hamad Al-Madhi	-	15	15	-
5. Ahmed Mohammed Al-Falih (external)	120	30	150	-
6. Khalid Saleh Al-Turairi (external) **	100	15	115	4.5
7. Ali Ahmed Al-Ghamdi (external)	20	15	35	-
Total	240	150	390	4.5
Strategic Planning Group Members				
1. Abdullah Mohammed Al-Issa	-	10	10	-
2. Ibrahim Hassan Sharbatly	-	10	10	-
3. Talal Ibrahim Al-Qudaibi**	-	5	5	-
4. Abdul-Rahman Amin Jawa**	-	5	5	-
5. Mohammed Talal Al-Nahas**	-	-	-	-
6. Abdul Rahman Mohammed Al Thehaiban***	-	-	-	-
7. Omar Hamad Al-Madhi	-	5	5	-
8. Hani Abdullah Al-Johani	-	5	5	-
Total	-	40	40	-
Members of the Committees emanating from the Board of Directors	620	830	1,450	24.6

* Expenses allowance includes transportation and accommodation expenses for members of the Board of Directors and its Committees

** Membership expired on 30/10/2022

*** Membership expired on 27/11/2022

Salary and Compensation Statement for Six Senior Executives (including the CEO and CFO):

Description	SAR'000s
Fixed Compensations	
Wages	12,801
Allowances	3,636
In-kind benefits	904
Total	17,341
Variable Compensations	
Periodic Compensations	20,405
Profits	-
Short-Term Motivation Plan	-
Long-Term Motivation Plan	6,930
Stock Dividends	-
Total	27,335
End-of-Service Gratuity	1,243
Total Executives Compensation of BoD, if available	-
Combined Total	45,919

Assignment of Interests by Shareholders, Directors, or Senior Executives

- There are no arrangements or agreements for any member of the Board of Directors or any of the Senior Executives to waive any salaries, bonuses or compensation
- There are no arrangements or agreements regarding any of the Shareholders of Riyad Bank waiving any rights to them in the profits

Cash dividends of Q1 22 have been distributed to all Shareholders on 11 August, 2022. Cash dividends of H2 22 will be distributed to all Riyad Bank's Shareholders who own the shares at the end of the day of holding the Bank's AGM and who are registered in the Securities Depository Center at the end of the second trading day following the date of the AGM to be held during Q2 23, which will be announced later after obtaining the necessary approval from the competent authorities.

Changes in Shareholders' Equity

The following table shows the primary Shareholders of the Bank, each of which owns 5% or more of the shares, and the changes in their equity as of the end of the trading day on 31 December, 2022:

Name of the Shareholder	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	% Change	% Ownership
Public Investment Fund	652,608,000	652,608,000	-	0.00%	21.75%
General Organization for Social Insurance	632,905,352	311,714,495	321,190,857	49.25%	10.39%
Al Nahla Trade & Contracting Co	262,149,903	262,149,903	-	0.00%	8.73%
Aseela Investment Co.	240,000,000	240,000,000	-	0.00%	8.00%

Riyad Bank relied on Riyad Bank's Saudi Stock Exchange (Tadawul) records by the end of Tadawul's session on 31/12/2022.

Ownership of Riyad Bank Shares by the Board Members, Senior Executives, or their Wives and Minors, and the Changes during 2022

The following tables are a description of any interest that belongs to members of the Board and Senior Executives or their wives and minors in shares or debt instruments of the Bank or any of its subsidiaries and any change that occurred thereof during the year:

A. The Board Members, their Wives and Minors

Name of the party holding the interest	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Debt instruments
Abdullah Mohammed Al-Issa	1,262,000	1,262,000	-	0.00%
Jamal Abdul-Karim AlRammah	1,142	1,142	-	0.00%
Ibrahim Hassan Sharbatly	694,508	694,508	-	0.00%
Hany Abdullah Al-Johany	-	-	-	0.00%
Yasser Abdullah Al-Salman	-	-	-	0.00%
Mona Mohammed Al-Tawil	N/N	32,000	-	0.00%
Omar Hamad Al-Madhi,	-	-	-	0.00%
Abdulrahman Ismail Tarabzouni	N/N	10	-	0.00%
Mutaz Kusai AlAzzawi	1,347,000	1,347,000	-	0.00%
Nader Ibrahim AlWehibi	-	-	-	0.00%

B. Senior Executives, their Spouses and Minor Children

Name of the party holding the interest	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Debt instruments
-	-	-	-	-

General Assemblies Held during the Year 2022

Riyad Bank held 2 assemblies for the Shareholders during the fiscal year 2022. The first meeting was held on 11/09/1443H, corresponding to 12 April, 2022; and the AGM was held on 27 March 1444H, corresponding to 23 October, 2022. Below is the Board attendance record for these meetings:

Name	Attendance	Attendance
	EGM held on 12 April 2022	AGM held on 23 October 2023
Abdullah Mohammed Al-Issa	✓	✓
Jamal Abdul-Karim Al-Rammah	✓	✓
Ibrahim Hassan Sharbatly	✓	✓
Talal Ibrahim Al-Qudaib	✓	✓
Abdul-Rahman Amin Jawa	✓	✓
Mohammed Talal Al-Nahas	✓	✓
Mohammed Abdulaziz Al-Afaleq	✓	✓
Mohammed Omair Al-Otaibi	✓	✓
Mutaz Kusai AlAzzawi	✓	✓
Nader Ibrahim Al-Wehibi	✓	✓

Number of Riyad Bank's Requests for Shareholders' Records, their Dates, and Reasons during 2022

Date of Request	Reason
20/01/2022	Corporate actions
05/04/2022	General Assembly
06/04/2022	Corporate actions
12/04/2022	Profits file
14/04/2022	General Assembly
06/07/2022	Corporate actions
01/08/2022	Profits file
09/10/2022	Corporate actions
19/10/2022	General Assembly

Assurances of the Board of Directors



- The account records have been prepared correctly.
- The internal control system was prepared on sound grounds and was effectively implemented.
- There is no doubt about the ability of Riyadh Bank to continue its activity.
- There is no contract to which Riyadh Bank was a party, and there is or was a substantial interest in it for the Chairman and any of the Members of the Board of Directors of Riyadh Bank or for the CEO or the First Financial Officer or for any person directly related to any of them, except for what was mentioned in the Statement of Transactions with Related Parties.
- There is no competition for the company or any of its branches of the activity it engages in and is engaged in by any member of the Board of Directors.

Interests in Voting Shares



No Stakeholder in the category of shares eligible to vote belonging to persons (except for members of the Board of Directors of Riyadh Bank and Senior Executives and their relatives) informed Riyadh Bank of these rights under Article 68 of the Rules for the Offer of Securities and Continuing Obligations, and any change in these rights during the fiscal year 2022.

External Auditors



During its meeting held on 12 April, 2022, the Ordinary General Assembly of Riyadh Bank, approved the appointment of “Ernst & Young” and “PricewaterhouseCoopers” as the Bank’s external auditors for the financial year ending 31 December, 2022. The General Assembly will consider at its next meeting the reappointment or replacement of the current auditors and determine their fees for auditing the financial statements of Riyadh Bank for the financial year ending 31 December, 2023, after reviewing the recommendation of the Board of Directors in this regard based on the recommendation of its Audit Committee.

Auditors’ Reservations on the Annual Financial Statements



The Auditors' report shows that the financial statements are free of any material misstatement, and there are no reservations about them.

Recommendations of the Board of Directors to replace the Auditors and their reasons



The Board of Directors did not recommend the replacement of the Auditors before the end of the period for which they were appointed.

Corporate Governance



In general, Riyadh Bank is obliged to apply the provisions set out in the Corporate Governance Regulations issued by the Capital Market Authority, and the main principles of governance in the banks operating in the Kingdom of Saudi Arabia and the instructions issued by the Saudi Arabian Monetary Authority. Riyadh Bank is keen to adhere to all the regulations of governance and keep abreast in this regard. Further, the Bank keeps updating the relevant policies and procedures upon the issuance of regulatory developments that so entail.



Compliance

Compliance Statement in Riyadh Bank

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Riyad Bank (RB) is a Saudi Arabian Joint Stock Company registered in the Kingdom of Saudi Arabia pursuant to Royal Decree No. (M/91) dated 23 November, 1957, and licensed by Saudi Central Bank (SAMA). RB established itself according to the provisions of the Companies Law and its regulations, Banking Control Law, and Capital Market Law. RB is committed to protect its professional practice, clients and entities by adhering to the applicable laws and regulations, and complying with international standards in all aspects of the business it operates.

The compliance group's main objective is to activate and enhance the compliance policy and its culture in all the Bank's activities, functions and businesses, as well as protecting the Bank's interests, and reducing the risk of non-compliance with the requirements, regulations and instructions. In addition, enhancing and maintaining the confidence of RB's integrity and reputation. RB provide the best standards of security and protection for all its clients and Shareholders to prevent any violation of laws and regulations. The process of identifying the risk is taking place periodically and continuously in order to avoid non-compliance via issuing internal policies and procedures that must be followed by all RB's employees and Stakeholders. RB has zero tolerance towards any violation or non-compliance with the policies. RB implemented a Code of Conduct that is mandatory for all employees and concerned Stakeholders to be fully complied with.

Code of Ethics and Conduct Policy

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Our ability to do what is right is an instrumental factor in our integrity and reputation. The Code of Conduct in Riyadh Bank is designed to guide employees and senior Management on acceptable conduct. The Code is prepared on the basis that we in Riyadh Bank are all responsible for conducting business ethically and no one should ever forgo integrity or even appear to have.

Anti-Money Laundering and Terrorist Financing Statement

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RB is firmly committed to encourage the highest possible standards in combating money laundering and terrorist financing activities. RB is also committed to identifying money laundering and terrorist financing transactions with a high level of transparency and compliance with the applicable laws, rules and guidelines issued by Saudi Central Bank (SAMA), and the relevant international organizations.

Additionally, RB has implemented a program to combat money laundering and terrorist financing to prevent the use of the Bank's branches either for retail and corporate, trade finance centers, RB products in general and its affiliates as channels of illegal activities in connection with money laundering and terrorist financing and other financial crimes activities.

This program ensures compliance with global requirements, including the recommendations of the Financial Action Task Force (FATF), local laws as well as Saudi Central Bank (SAMA), and other regulatory requirements to prevent illegal transactions or activities.

RB has established robust AML and CTF policies and procedures grounded on local and global instructions to combat and prevent any criminal activities. The subject policies and proper controls cover several programs such as and not limited to Know Your Customer (KYC) program, monitoring customer transactions program, sanction program, training and awareness, monitoring suspicious activities and reporting procedures, and independent stress-testing program etc. Established RB AML and CTF programs are reviewed and evaluated by internal and external auditors along with periodical visits by Saudi Central Bank (SAMA).

Gifts, Benefits, and Entertainment Policy

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The exchange of gifts and benefits between the Bank and its Stakeholders is normal in the course of business but may appear improper even if there was no unethical intent. We are committed to doing business based on our ethical standards and the value we provide to our customers and Stakeholders, not on gifts or offers we give or receive, thus our policy provides clear guidance on what the Bank allows for its employees to accept or give in terms of gifts, benefits, favors, entertainment, etc.

We value our reputation and consider it to be an integral part of our business. We do not compromise our reputation by engaging in, or appearing to engage in, bribery or any form of corruption.

Insider Trading Policy

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As employees of a financial services company, we may have access to material, non-public information (MNPI) or Insider Information about our Bank, our clients and other companies. We strictly prohibit the misuse of MNPI or Insider Information used for any personal gain for employees.

We have exhausted efforts to see that controls are put in place in order to ensure that there is no misuse of information.

Conflict of Interest Policy

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RB is firmly committed to its fiduciary obligation towards our clients and our Shareholders to act in their best interest. This means we avoid and address through controls, disclosures or other appropriate steps actual, or potential conflicts of interest.

Data Privacy

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In Riyadh Bank we have adopted rigorous security protocols, checks and policies to ensure all customer data is kept confidential and secure. We apply strict protocols and standards to our employees and technology, to maintain data privacy and security.

Know Your Customer Program

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RB implemented KYC procedures to ensure all customer information is well defined. RB required all its customers to present a valid and updated identity document based on the applicable requirements. RB applied the proper due diligence measures to update and verify the customer information according to the risk profile rating or in case of a trigger event.

RB prevents account opening of anonymous, numbered, non-resident in the country, and do not engage in any relationship with a shell bank.

Monitoring Customer Transactions Program

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The monitoring of customers account activities is grounded on the identification of suspicious transactions generated by RB's automated monitoring system based on the updated scenarios and trends of ML typologies, and internal procedures. This will allow the authorized officer to take the required action to ensure that the transaction is genuine. The suspicious transactions verification process comprise investigation, examination and analyzing the cases as well as identifying and taking appropriate measures regarding the AML transactions. Also, reporting the suspicious transactions to the competent authorities inside and outside the Bank and applying the necessary follow-up.

RB takes into consideration rectifying the violated accounts to comply with the applicable laws and regulations, RB identify proper corrective action plans for the aforementioned accounts as well as provide and develop highly efficient programs and systems for monitoring.

Stress Testing on Anti-Money Laundering

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RB has implemented risk assessment procedures for the Bank's business, products and services in order to identify and mitigate the risks the Bank may face in respect of money laundering and terrorist financing. We have established a comprehensive risk register of the AML and CTF risks that RB may be exposed to.. In addition, RB identifies the gaps or weaknesses that occur internally and mitigate the impacts periodically.

Sanction Program



RB has implemented a proper system for the screening of transactions and customers against the names listed either by local authorities or global organizations such as UN, OFAC and EU as well as the names listed by Saudi Central Bank (SAMA). The system implemented supports RB to mitigate the risk of non-compliance in applying the instructions of sanctions lists as well as preventing the execution of illegal or non-compliant transactions or activities, and to abide with local and international requirements related to sanctioned names for either individual, entity, or related parties.

Training and Awareness



Training and awareness are one of the fundamental tools to develop a robust compliance culture and considered one of the main responsibilities of compliance. Based on RB's training policy and the applicable regulations, RB provide periodic training to all employees including the BoD and its sub-committee's, senior Management and the new hires relating to anti-money laundering and combating terrorist financing to inform them of the applicable regulations, instructions and developments relating to the field of combating money laundering and terrorist financing. In addition tailored training is provided to the high risk and critical roles at RB.

RB utilizes several channels to provide training and awareness, such as the E-learning platform, classroom, through SMS, RB intranet and social media.

FATCA and CRS Statement



Riyad Bank (RB) has implemented the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) policies which provide all RB customers, business, and employees an outline of the legislative and regulatory obligations which RB must adhere to in order to protect the reputation and financial position of RB and its Stakeholders.

Please see FATCA GIIN No: (UG0F5P.00000.LE.682)

Anti-Bribery and Corruption and Financial Fraud Statement



Riyad Bank (RB) has implemented Anti-Bribery and Corruption, and Financial Fraud policies to ensure that RB is applying a comprehensive mechanism to combat bribery, corruption and financial fraud. The set roles and responsibilities of different Stakeholders in terms of combatting bribery, corruption, and financial fraud to ensure that it is subject to appropriate oversight are communicated to the Stakeholders among RB. In addition, the Board of Directors provides an oversight to the anti-bribery, corruption and financial fraud mechanisms and strategies implemented by RB and any other relevant policies.

RB established an appropriate control environment and channels for reporting of any potential bribery, corruption, and financial fraud activities through whistleblowing and applicable internal and external means, and periodic testing for the effectiveness.

Whistleblowing Statement and Tools (Violations Reporting)



Riyad Bank (RB) is firmly committed to encourage the highest possible professional and practice standards in all its businesses. To achieve this, it encourages an environment and culture in which RB parties can report all forms of non-compliance.

RB has implemented a whistleblowing policy which intends to ensure that all employees and Stakeholders feel supported to speak up in confidence and report matters which they suspect may involve improper, unethical or inappropriate conduct within RB.

The policy is intended to enable those who become aware of wrongdoing in RB to report their concerns, so that they can be properly investigated. Reports can be made anonymously. However, if reporters put their names to allegations this policy has been established to protect reporters from any act of retaliation, intimidation or threats, and ensures that reports are examined with a high level of professionalism.

The Whistleblowing form is available through this link:

<https://www.riyadbank.com/ar/about-us/compliance-statement/whistleblowing>

For more information about RB please refer to our official website at www.riyadbank.com.sa
For more information related to Saudi Central Bank, please visit their website at www.sama.gov.sa



Risk Management

The Bank has a sound risk culture, an enabling risk appetite and Enterprise Risk Management Framework (ERMF) to ensure a robust internal control environment and risk management in the Bank.

Risk Culture

Risk culture is one of the critical principles of the Bank's enterprise risk management to set the norms of behavior and actions around the risk management. It shapes the Bank's ability to identify, understand, assess and mitigate the current and future risks. It is ensured that that proper risk culture is embedded within the Bank.

Risk Governance

The Board of Directors has an ultimate responsibility for the Bank's strategy, governance, risk management, compliance and financial soundness. The Board of Directors has a designated Risk Management Committee to have continuous oversight on risk management to ensure effective risk governance. The Saudi Central Bank

(SAMA) and the Basel Committee have directed that the risk management function should be independent from other banking functions. To put in place an adequate operating structure to consider the risk and control, the Bank has implemented a 3 lines of defense approach with controls at different organizational units i.e. the operating units, other control areas and Internal Audit. The Bank's sound governance and risk management are reinforced by these 3 lines of defense approach, which is also an integral part of an ERMF.

Enterprise Risk Management Framework

Enterprise Risk Management (ERMF) enables the Bank to identify, measure, manage, and control its risks in addition to relating the same with capital requirements in order to ensure sustainable capital adequacy. A fully embedded ERMF covers the Bank's risk universe. It is worth mentioning that the Bank approaches the development of strategy, risk and balance sheet management and risk appetite in an integrated manner. The Bank's Capital Management Framework (CMF) is designed to meet key Stakeholders' expectations with proper focus on adequacy of the Bank's capital in relation to its risk profile.

Risk Appetite Framework

The Risk Appetite Framework (RAF) is an integral component of the Bank's ERMF and is embedded in the Bank's strategy and annual operating plan. The RAF establishes the overall approach through which the Bank ensures prudent risk-taking. It is established on the basis of best practices and outlines the process of developing a Risk Appetite Statement (RAS), governance, monitoring and reporting. The RAS is integrated with the Bank's strategic planning process and is approved by the Board on an annual basis.

In pursuit of its strategy, the Bank is exposed to various types of risks, including but not limited to credit risk, market risk, liquidity risk, operational risk, and cyber and information security risk. The strategic risk objectives contain a full suite of quantitative metrics and qualitative statements that are defined in the Risk Appetite Framework. The Bank also expresses risk appetite qualitatively in terms of policies, processes, procedures, and controls duly meant to manage risks that may or may not be quantifiable.

The Bank will continue to invest in a risk management ecosystem for all key existing and emerging risks.

Stress Tests

The Bank applies "Stress Testing" to all types of risks, including all banking activities and how they can be impacted by financial and economic changes. Stress tests are simulations to test the resilience. The Bank's stress testing exercise assesses the adequacy of the Bank's capital to withstand various scenarios. Risk Management monitors the stress methodologies along with underlying assumptions to ensure the efficacy of stress models.

Credit Risk

Credit risk is defined as the risk of financial loss resulting from the other party to a credit transaction not meeting (or not meeting completely) their financial obligations. Accordingly, the Bank developed various credit risk management frameworks and policies that encompass all financing programs to ensure the Bank minimizes the overall risk in its credit portfolio and reduces losses incurred by financing activities.

The Bank operates in accordance with a stringent credit framework, policies, manuals and procedures, which are reviewed regularly, considering latest updates and regulations of SAMA, BIS and risk dynamics. Credit limits should be commensurate with the level of risk. Excessive concentration of credit risk should be avoided in all dimensions in both retail and corporate exposure.

The Bank's credit rating system conforms to international standards. The Bank, while having its own credit rating system, also incorporates the ratings of external agencies in the due diligence process. The credit risk assessment is executed through standardized measurement tools. This provides a comprehensive picture of the Bank's asset quality. In addition, it measures the probability of default which is a prerequisite for calculating expected credit losses in accordance with new accounting standards.

The Bank's processes are constantly evolving in line with requirements of both local and international regulators. The Bank complies with all Basel requirements in measuring the capital adequacy ratio required to cover credit risk according to the standard method (Standardized Approach). The Bank uses internal credit risk models for credit assessments. These models are validated and reviewed annually by a third party. The validation includes tests that are carried out to ensure the reliability of the results of the credit rating models and their quantitative and qualitative aspects.

BASEL III Pillar 3 Disclosures

The Basel III Committee, third pillar recommendations, requires publishing of a number of quantitative and qualitative disclosures. These are published and posted on the Bank's website www.riyadbank.com in accordance with SAMA instructions. Such disclosures are not subject to examination or review by the Bank's external auditors.

Market Risk and Liquidity

Market risk is the risk of losses resulting from fluctuations in market prices, of relevant instruments such as special commission rates, stock prices, foreign exchange rates, and any changes in the fair value of financial instruments and securities held by the Bank.

The Bank continuously measures and monitors risks pertaining to assets and liabilities resulting from fluctuations in fair values or future cash flows of financial instruments due to changes in market prices. This is achieved using risk structure, limits, and metrics approved by the Board of Directors and monitored by the Market and Liquidity Risk Management Department.

There is also a trade-off between liquidity and profitability, and an appropriate balance must be struck in all operations, while maintaining a strong liquidity position to increase customer confidence and improve the cost of funding. Additionally, periodic reports on market and liquidity risks are submitted to the Asset and Liability Management Committee and the Investments Committee. Such reports are then submitted to the Board's Risk Committee.

The Bank adopts the value at risk (VaR) standard, which is a tool to measure and quantify the level of financial risk in a Bank or a portfolio. Thereby the Bank can monitor the changes and volatility of market prices and the relationship linking these changes to one another as a basic standard for measuring market risks. Moreover, several other advanced standards are used to improve analytical capabilities in managing market risks, including liquidity, stress tests and analysis of market risk sensitivity.

The Bank continues to enhance its operations and systems to manage market and liquidity risks effectively and to implement the latest regulatory standards as per the requirements of SAMA and BIS.

Financial Crime Risks
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In recent years financial crimes have emerged as a serious threat and challenge to financial institutions and their employees. Riyadh Bank realizes the gravity of such crimes and their consequences. Therefore, efforts were made to take preventive measures of a strategic nature to combat and prevent financial crimes, which helped eliminate such crimes to a great extent.

The Bank was keen and took steps on incorporating the best international practices to execute its strategy to combat and monitor suspicious transactions related to anti-money laundering and combating terrorist financing, including controls designed to combat embezzlement, financial fraud and monitor bank accounts. The Bank will continue to further strengthen the controls to prevent financial crimes.

The nature of the risks is dynamic and subject to changes with the changes in the financial environment, types of crimes, and banking industry technology. Therefore, our strategy is subject to periodic reviews and frequent updates. In addition, a risk assessment review is also carried out periodically that encompasses the functions, departments, policies, and procedures for addressing risks of internal and external fraud and determines the level and nature of those risks. Since they may pose special risks, all new financial products and services are subject to a risk assessment by control functions before they are launched.

Riyad Bank sought to raise employee awareness by launching an awareness program throughout the year to boost commitment to combating financial crimes. The customer and concerned parties play an important role in helping the Bank to detect fraud. Accordingly, awareness and ad campaigns are launched to inform customers to the forms of fraud they may face and how to report them.

Operational Risk
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Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These risks arise in all activities undertaken by various business and support functions. They may also arise due to risks from third party service providers. Operational risk is inherent in all of the Bank's products, activities, processes and systems. The effective management of operational risk is a fundamental element of a bank's risk management strategy.

The Bank has developed operational risk management and measurement policies, standards and guidelines, that includes, performing an independent view of the identified risks by business units and designing an effective test of key controls and risk tolerance. Moreover, the Bank monitors and reports on the operational risk profile and the operational risk training as well as raising risk awareness. There is also an integrated risk-based approach that is compatible with the Bank's activities that includes:

- Identifying operational risks, including emerging risks, by means of improving various tools to effectively manage operational risks
- Measuring operational risks using a standardized methodology for risk assessment in cooperation with the second line of defense departments
- Evaluating operational risks and their impact on the Bank's strategic and executive operational objectives
- Continuously monitoring the impact of operational risks to ensure that priorities are set in taking the corrective actions necessary to address risks
- Submitting periodic reports to the Executive Management, the Operational Resilience Committee, the Risk Management and Compliance Committee on important operational risk cases to obtain guidance on corrective action and approvals as needed
- Identifying and sharing leading practices with the Management and competent officers in the Risk Management
- Enhancing awareness and knowledge of different risks in the Bank.

Technology Risk
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Technology risk is the emerging risk among overall operational risks. This risk is related to the adoption and certification of business technology in the Bank. Business technology is considered one of the main operational elements that support the vision and mission of the Bank. Therefore, the Bank pays great attention to the risk associated with business technology, and works to limit it, to know its impact on the business, and to put in place the relevant measures and controls to take appropriate decisions to limit the impact if it occurs, by developing a policy to ensure that the technology risk is managed and handled appropriately. The Bank adopts several practices to effectively analyze and monitor risks through a variety of methods, which include:

- Define and monitor technology risk measures according to the risk tolerance framework
- Developing the technology risk register at the Bank's level to be in line with the Bank's risk register in coordination with the relevant sectors/departments
- Review points of high technology risks with documenting controls and work mechanisms, identifying potential gaps and recommending proposals for improvement and development
- Submit an annual risk assessment, control testing and annual verification plan

- Assess high-risk systems and applications in coordination with the concerned departments
- Submit periodic reports on the performance of business technology risk activities within the framework of risk tolerance to the relevant committees
- Supervise the review of all relevant technology policies to ensure the application of best practices and compliance with the requirements of SAMA

Cyber Security and Information Security Risks
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The term "Cyber and information security risks" refers to risks arising from the possibility of breaching the necessary regulatory, technical and procedural measures put in place to protect the Bank's information from unauthorized access, disclosure, reproduction, as well as from use, modification, transfer, loss, theft, or misuse thereof in a deliberate and subversive, or accidental manner.

The Bank manages cyber and information security risks through a comprehensive practical framework via which governance is applied across all its information systems, practical procedures are organized, and implementation of the regulatory requirements and necessary rules is facilitated, ensuring the protection of the Bank's informational assets to reduce various cyber and information

security risks. Moreover, cyber and information security legislations issued by the relevant authorities are enforced. There is direct and complete supervision of all relevant activities from the viewpoint of cyber and information security. A process of security testing and assessments is established, and continuous monitoring of system events in correlation with cyber threat intelligence information is performed for the purpose of identifying security risks and taking necessary measures to immediately reduce/mitigate those risks

The Bank is effectively complying with the applicable regulatory directives, international standards and best practices besides constantly enhancing the awareness program to raise awareness amongst all employees, contractors, vendors and customers.

Effectiveness of Internal Controls

Riyad Bank has established an **Integrated Internal Control Governance and Reporting Policy** to ensure an effective internal control environment in line with the 'Guidelines on Internal Control' issued by SAMA. This policy is approved by the Board of Directors and promulgated by the Executive Management to ensure strategic goals are achieved by protecting the Bank's assets and guaranteeing all operations are carried out pursuant to applicable guidelines. Such controls also include the corporate governance that defines the roles and responsibilities of members of the Board and its committees.

The Executive Management and its committees, ensure that risks related to regulatory requirements, strategy, financial performance, information technology, assets and liabilities management, liquidity, credit, operations, legal affairs, information security are appropriately managed.

All Stakeholders in the Bank are responsible for the efficiency and effectiveness of their respective internal control environments. This assurance is provided through periodic self-assessment reviews of processes and controls to proactively identify areas of improvement and ensure timely remediation. Additionally, independent control functions and internal and external auditors conduct reviews to ensure adequacy of the internal control environment.

The Compliance Department ensures compliance with regulatory requirements and guidelines and the Internal Audit Department assesses the adequacy and efficiency of the internal control environment by ensuring all applicable policies and procedures are implemented and practiced appropriately.

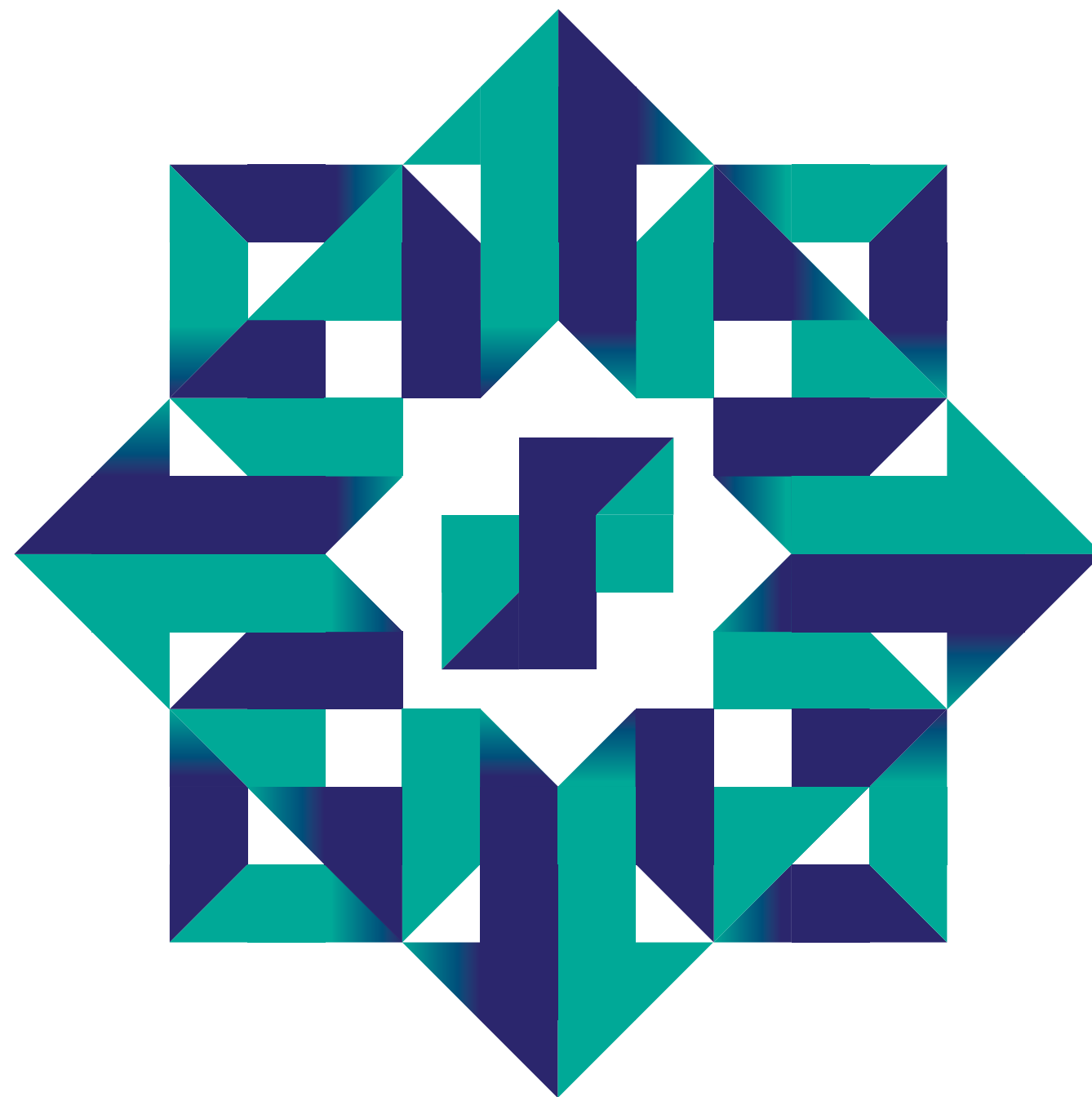
Senior Executive Management and the Audit Committee are regularly updated on the status of the internal control environment and the corrective actions identified to improve its adequacy and effectiveness. They ensure timely implementation of the measures taken to mitigate the identified risks.





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Riyad Bank executed our strategy to build strength and deliver record financial results during a year of outstanding growth and innovation.

Independent Auditors' Report To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company)



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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyadh Bank (A Saudi Joint Stock Company) (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in the Kingdom of Saudi Arabia”).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the “Code”), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances	<ul style="list-style-type: none">We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year.We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of International Financial Reporting Standards (9) (“IFRS 9”).We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over:<ul style="list-style-type: none">the ECL models, including governance over the models, its validation during the year, and any model updates performed during the year, including approval of the Credit Risk Management Committee of the key inputs, assumptions and post model overlays, if any;the classification of loans and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures;the IT systems and applications supporting the ECL models; andthe integrity of data inputs into the ECL models.For a sample of customers, we assessed:<ul style="list-style-type: none">The internal ratings determined by management, based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information. We also assessed that these were consistent with the ratings used as inputs in the ECL models;management's computations of ECL; andfor selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.We assessed the appropriateness of Group's criteria for the determination of SICR and identification of “default” or “individually impaired” exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio.We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL models, due to data or model limitations or otherwise.We assessed the reasonableness of the underlying assumptions used by the Group in the ECL models including forward looking assumptions keeping in view uncertainty and volatility in economic scenarios.We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2022.
As at December 31, 2022, the gross loans and advances of the Group were SAR 247.1 billion against which an expected credit loss (“ECL”) allowance of SAR 4.8 billion was maintained.	
We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:	
<ol style="list-style-type: none">Categorisation of loans into Stages 1, 2 and 3 based on the identification of:<ol style="list-style-type: none">exposures with a significant increase in credit risk (“SICR”) since their origination; andindividually impaired / defaulted exposures.The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR due to current economic outlook.Assumptions used in the ECL models for determining probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) including but not limited to assessment of financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors that might not have been captured by the ECL models.	
Application of these judgements and estimates, result in greater estimation uncertainty and the associated audit risk around ECL calculation as at December 31, 2022.	
Refer to the summary of significant accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 31.3 (b) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	

Independent Auditors’ Report To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
<p>The Group has entered into various derivative transactions, including special commission rate and commodity swaps (“swaps”); forward foreign exchange contracts (“forwards”); currency options (“options”); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter (“OTC”) derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations.</p> <p>The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well.</p> <p>We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modeling techniques.</p> <p>As at December 31, 2022, the positive and negative fair value of derivatives held by the Group amounted to SAR 3.79 billion and SAR 2.85 billion, respectively.</p> <p><i>Refer to the basis of preparation note 2d(ii) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 3I for the accounting policy relating to derivative financial instruments and hedge accounting; and note 6 which discloses the derivative positions as at the reporting date.</i></p>	<ul style="list-style-type: none">Where required, we involved our experts to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL models particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays.We assessed the adequacy of disclosures in the consolidated financial statements.We assessed the design and implementation, and tested the operating effectiveness, of key controls over management’s process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for derivatives.We selected a sample of derivatives and:<ul style="list-style-type: none">Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations;Assessed the appropriateness of the key inputs to the derivative valuation models;We involved our experts to assist us to perform independent valuations of the derivatives and compared the result with management’s valuation; andAssessed the hedge effectiveness performed by the Group and corroborated the related hedge accounting;Assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the consolidated financial statements.

Other information included in the Group’s 2022 Annual Report

The Board of Directors of the Bank (the “Directors”) are responsible for the other information in the Group’s annual report. Other information consists of the information included in the Group’s 2022 annual report (the “annual report”), other than the consolidated financial statements and our auditors’ report thereon. The annual report is expected to be made available to us after the date of this auditors’ report.

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

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

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditors' Report To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company) (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

PricewaterhouseCoopers



Mufaddal A. Ali
Certified Public Accountant
License No. 447



29 Rajab 1444H
(20 February 2023)

For Ernst & Young Professional Services



Hesham A. Alatiqi
Certified Public Accountant
License No. 523



Consolidated Statement of Financial Position

As at December 31, 2022 and 2021

	Note	2022 SAR'000	2021 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA), net	4	33,366,652	25,587,478
Due from banks and other financial institutions, net	5	20,613,232	17,644,832
Positive fair value of derivatives	6	3,790,841	1,414,515
Investments, net	7	52,196,120	58,637,186
Loans and advances, net	8	242,364,947	217,290,235
Other assets	11	3,175,946	1,492,186
Investment in associates	9	371,215	649,720
Other real estate		465,249	313,564
Property, equipment and right of use assets, net	10	3,308,655	2,706,102
Total assets		359,652,857	325,735,818
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	12	38,760,068	43,134,140
Negative fair value of derivatives	6	2,854,285	1,460,144
Customer deposits	13	240,007,085	211,678,297
Debt securities in issue	14	8,758,419	8,716,577
Other liabilities	15	13,099,651	13,446,889
Total liabilities		303,479,508	278,436,047
Shareholders' equity			
Share capital	16	30,000,000	30,000,000
Statutory reserve	17	10,942,054	9,187,224
Other reserves	18	(790,260)	1,637,436
Retained earnings		7,500,430	4,855,111
Proposed dividends	26	1,950,000	1,620,000
Equity attributable to the shareholders of the Bank		49,602,224	47,299,771
Tier 1 Sukuk	14	6,571,125	-
Total equity		56,173,349	47,299,771
Total liabilities and equity		359,652,857	325,735,818

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the years ended December 31, 2022 and 2021

	Note	2022 SAR'000	2021 SAR'000
Special commission income	20	12,907,561	9,108,106
Special commission expense	20	2,855,116	814,933
Net special commission income		10,052,445	8,293,173
Fee and commission income	21	3,559,071	3,154,791
Fee and commission expense	21	1,130,404	1,037,144
Fee and commission income, net		2,428,667	2,117,647
Exchange income, net		633,379	380,691
Trading income, net		219,029	196,683
Dividend income		79,861	126,969
Gains on disposal of non-trading investments, net	22	121,775	407,521
Other operating income	23	64,210	45,157
Total operating income, net		13,599,366	11,567,841
Salaries and employee-related expenses	24	2,257,505	2,092,284
Rent and premises-related expenses		195,409	194,072
Depreciation of property, equipment and right of use assets	10	540,532	493,193
Other general and administrative expenses		1,336,308	1,132,413
Other operating expenses		80,423	52,637
Total operating expenses before impairment charge		4,410,177	3,964,599
Impairment charge for credit losses and other financial assets, net	8 e)	1,027,400	850,757
Impairment charge for investments, net		253,115	1,927
Total operating expenses, net		5,690,692	4,817,283
Net operating income		7,908,674	6,750,558
Share in losses of associates, net		(80,238)	(32,498)
Income before zakat		7,828,436	6,718,060
Zakat	27	809,114	692,681
Net income		7,019,322	6,025,379
Basic and diluted earnings per share (in SAR)	25	2.32	2.01

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2022 and 2021

	2022 SAR'000	2021 SAR'000
Net income	7,019,322	6,025,379
Other comprehensive income (OCI):		
a) Items that will be reclassified to consolidated statement of income in subsequent periods		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value	(1,988,932)	(386,843)
- Net amounts transferred to consolidated statement of income	(86,145)	(311,311)
- Net changes in allowance for expected credit losses (ECL) of debt instruments	261,430	12,389
- Effective portion of net change in fair value of cash flow hedge	149,612	(25,036)
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial gains on defined benefit plans (note 28 d)	201,103	73,715
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments)	(69,264)	556,380
Other comprehensive loss	(1,532,196)	(80,706)
Total comprehensive income	5,487,126	5,944,673

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders of the Bank	Tier 1 sukuk	Total equity
31 December 2022								
Balance at the beginning of the period	30,000,000	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771
Total comprehensive income								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	(69,264)	-	-	(69,264)	-	(69,264)
- FVOCI -debt instruments	-	-	(1,988,932)	-	-	(1,988,932)	-	(1,988,932)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(86,145)	-	-	(86,145)	-	(86,145)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	261,430	-	-	261,430	-	261,430
Actuarial gains (Note 28 d)	-	-	201,103	-	-	201,103	-	201,103
Net change in fair value of cash flow hedge	-	-	149,612	-	-	149,612	-	149,612
Net income	-	-	-	7,019,322	-	7,019,322	-	7,019,322
Total comprehensive (loss) income	-	-	(1,532,196)	7,019,322	-	5,487,126	-	5,487,126
Disposal of FVOCI-equity instruments	-	-	(895,500)	895,500	-	-	-	-
Final dividends paid - 2021(note 26)	-	-	-	-	(1,620,000)	(1,620,000)	-	(1,620,000)
Tier 1 sukuk issued	-	-	-	-	-	-	6,571,125	6,571,125
Tier 1 sukuk costs	-	-	-	(64,673)	-	(64,673)	-	(64,673)
Interim dividend - 2022 (note 26)	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Transfer to statutory reserve (note 17)	-	1,754,830	-	(1,754,830)	-	-	-	-
Final proposed dividend - 2022 (note 26)	-	-	-	(1,950,000)	1,950,000	-	-	-
Balance at the end of the year	30,000,000	10,942,054	(790,260)	7,500,430	1,950,000	49,602,224	6,571,125	56,173,349
31 December 2021								
Balance at the beginning of the period	30,000,000	7,680,879	1,745,649	4,928,570	-	44,355,098	-	44,355,098
Total comprehensive income								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	556,380	-	-	556,380	-	556,380
- FVOCI -debt instruments	-	-	(386,843)	-	-	(386,843)	-	(386,843)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(311,311)	-	-	(311,311)	-	(311,311)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	12,389	-	-	12,389	-	12,389
Actuarial gains(note28 d)	-	-	73,715	-	-	73,715	-	73,715
Net change in fair value of cash flow hedge	-	-	(25,036)	-	-	(25,036)	-	(25,036)
Net income for the period	-	-	-	6,025,379	-	6,025,379	-	6,025,379
Total comprehensive income	-	-	(80,706)	6,025,379	-	5,944,673	-	5,944,673
Disposal of FVOCI-equity instruments	-	-	(27,507)	27,507	-	-	-	-
Final proposed dividends - 2020	-	-	-	(1,500,000)	1,500,000	-	-	-
Final dividends declared - 2020	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Interim dividend - 2021 (note 26)	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Transfer to statutory reserve (note 17)	-	1,506,345	-	(1,506,345)	-	-	-	-
Final proposed dividend - 2021 (note 26)	-	-	-	(1,620,000)	1,620,000	-	-	-
Balance at the end of the year	30,000,000	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31, 2022 and 2021

Note	2022 SAR'000	2021 SAR'000
OPERATING ACTIVITIES		
Income before zakat	7,828,436	6,718,060
Adjustments to reconcile net income for the period to net cash from operating activities:		
Accretion of discounts and amortisation of premium on non-FVIS instruments, net	(89,042)	(23,575)
Gains on disposal of non-trading investments, net	(121,775)	(407,521)
Gains on trading investments, net	(37,288)	(8,378)
Gains on sale of property and equipment, net	(20,833)	(359)
Dividend income	(79,861)	(126,969)
Depreciation of property, equipment and right of use assets	540,532	493,193
Share in losses of associates, net	80,238	32,498
Impairment charge for credit losses and other financial assets, net	8 e) 1,027,400	850,757
Impairment charge for investments, net	253,115	1,927
	9,380,922	7,529,633
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(2,165,728)	81,619
Due from banks and other financial institutions maturing after three months from date of acquisition	500,000	(291,000)
Positive fair value of derivatives	(2,376,326)	144,442
Investments at FVIS	(149,518)	90,085
Loans and advances, net	(26,105,305)	(26,804,454)
Other real estate	(151,685)	10,490
Other assets	(1,405,255)	210,707
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	(4,374,072)	1,345,237
Negative fair value of derivatives	1,394,141	(180,790)
Customer deposits	28,328,788	8,638,961
Principal and interest on lease liabilities	(223,723)	(212,618)
Other liabilities	514,094	571,965
	3,166,333	(8,865,723)
Zakat paid	(1,168,028)	(1,160,444)
Net cash used in operating activities	1,998,305	(10,026,167)
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments not held as FVIS instruments	137,722,310	97,500,947
Purchase of investments not held as FVIS instrument	(132,916,940)	(99,351,383)
Purchase of property and equipment	(1,297,439)	(607,495)
Proceeds from sale of property and equipment	175,187	6,965
Advance against purchase of property and equipment	-	(125,000)
Net cash from (used in) investing activities	3,683,118	(2,575,966)
FINANCING ACTIVITIES		
Debt securities in issue, net	-	3,032,569
Tier 1 sukuk issuance	14 6,571,125	-
Dividend paid	(3,108,480)	(2,988,871)
Tier 1 sukuk related costs	(64,673)	-
Net cash from financing activities	3,397,972	43,698
Increase (decrease) in cash and cash equivalents	9,079,395	(12,558,435)
Cash and cash equivalents at beginning of the period	32,406,686	44,965,121
Cash and cash equivalents at end of the period	29 41,486,081	32,406,686
Special commission received during the period	12,269,203	8,915,549
Special commission paid during the period	2,200,844	928,543
Supplemental non-cash information		
Net changes in fair value and transfers to consolidated statement of income	(1,994,729)	(166,810)
Right of use (ROU) assets	(30,124)	(110,328)
Lease liabilities	11,164	(5,517)

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 338 (2021: 340) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 6,794 as at December 31, 2022 (2021: 6,620). The Bank's Head Office is located at the following address:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Group is to provide a full range of banking and investment services. The Bank also provides to its customers, non- conventional banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group"),

- Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), incorporated in the Kingdom of Saudi Arabia;
- Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities), incorporated in the Kingdom of Saudi Arabia;
- Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia;
- Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia;
- Curzon Street Properties Limited incorporated in the Isle of Man; and
- Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group as at and for the years ended December 31, 2022 and 2021, respectively, have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments and defined benefit obligations. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc..

The consolidated statement of financial position is stated in order of liquidity.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand Saudi Arabian Riyals.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

Judgement of equity vs liability for Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to Sukuk holders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

i) Expected credit losses (ECL) on financial assets

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probabilities of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 31.3 (b) (v)).

ii) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

iii) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

iv) Defined benefit scheme

The Group operates an End of Service Benefit scheme for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate refer note 28.

v) Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within 'fee and commission income, net'.

vi) Government Grant

The management has exercised certain judgements in the recognition and measurement of the grant income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements are set out below.

3.1 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2022 replacing, amending, or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

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

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases'– COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

Accounting standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	<p>The amendment will help to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p> <p>These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.</p>	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

3.2 Accounting Policies

a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) Financial Asset at amortised cost (AC)

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

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

ii) Financial Asset at FVOCI

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

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

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

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

iii) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The details of business model assessment and SPPI test are explained below.

Business model assessment

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

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

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

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS 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)

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

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

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

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

b) Classification of financial liabilities

All money market deposits, customer deposits and debt securities in issue are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

c) Derecognition

i) Financial assets

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

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

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 transferred asset.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

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

ii) 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

i) 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 with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised 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 statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

ii) 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 statement of income.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

e) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- debt investment securities;
- due from bank balances;
- financial guarantee contracts issued;
- loan and advances; and
- loan commitments

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 security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' (i.e. a credit rating of 'BBB' or above).

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank 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 making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

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

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, primarily on uncommitted basis, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. Based on uncommitted nature of such exposures, past experience, and the Bank's expectations, the period over which the Bank calculates ECL for these products is less than one year for corporate Overdrafts and up to two years for corporate and retail credit cards. The ongoing assessment of whether a significant increase in credit risk has occurred for such product exposures is similar to other lending products that is based shifts in the customer's internal credit grade/PDs, and where applicable on the basis of Days Past Due (DPD) rules. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

f) 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 firm 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 unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments: the Group recognizes loss allowance based on the ECL requirement.

g) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the consolidated statement of income on a systematic basis over the period in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank.

h) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. 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 gross carrying amount 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.

Measurement of amortized cost and special commission income

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest 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 amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

Others

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

Brokerage income

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

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based"), or % of capital deployed/raised subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligation, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortised over the period of the service (deferred income).

i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as "Hassad points"), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyadh Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Investment funds

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

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. 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. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

l) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income/ loss. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

ii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

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

(a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated statement of income for the period.

m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non- monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

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

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

n) Offsetting financial instruments

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

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised 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 balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

p) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

r) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

s) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

t) Accounting for leases - Right of Use Asset / Lease Liabilities

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

Right of Use Assets

The Group measures right of use asset at cost;

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

Lease Liability

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

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

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

Short-term leases and leases of low-value assets:

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

u) 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 cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

v) End of service benefits

The provision for employees' end of service benefits is accrued using actuarial valuation according to the regulations of Saudi Labor Law and local regulatory requirements.

w) Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax is recognized in the statement of income.

Value Added tax ("VAT")

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

x) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

y) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

- i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.
- ii) Ijarah is an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.
- iii) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

z) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

aa) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

ab) Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption/ maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit, as part of equity. The related costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA), NET

	2022 SAR'000	2021 SAR'000
Cash in hand	4,197,499	4,240,485
Statutory deposit	12,493,803	10,328,075
Placements with SAMA	16,166,001	10,973,847
Other balances	509,349	45,071
Total	33,366,652	25,587,478

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on the monthly averages at the end of reporting period. customer, demand, savings, time, and other deposits, calculated on average balance of one month before the end of reporting period. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents. (note 29).

The allowance for expected credit losses (ECL), in respect of the above, was marginal as on December 31, 2022 and 2021. The ECL allowance relates to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2022 SAR'000	2021 SAR'000
Current accounts	6,541,293	5,149,260
Money market placements	14,072,521	12,498,013
Less: Allowance for ECL	(582)	(2,441)
Total	20,613,232	17,644,832

Money market placements include margin deposits amounting to SAR 1,109 million (2021: SAR 1,575 million).

The allowance for expected credit losses (ECL) in respect of the above, amounted to SAR 0.6 million as on December 31, 2022 (December 31, 2021: SAR 2.4 million). The ECL allowance relates to stage 1 exposures.

An analysis of changes in loss allowance is as follows:

SAR'000	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	2,441	-	-	2,441
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements	(1,859)	-	-	(1,859)
Balance as at December 31, 2022	582	-	-	582
Balance at January 1, 2021	5,214	-	-	5,214
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements	(2,773)	-	-	(2,773)
Balance as at December 31, 2021	2,441	-	-	2,441

6. DERIVATIVES

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

a) Swaps

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

b) Forwards and futures

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

c) Options

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

Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers 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 favourable movements in prices, rates or indices. Arbitrage involves identifying pricing anomalies in different markets and products, with the expectation of profiting from price differentials between markets or products.

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For the years ended December 31, 2022 and 2021

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc.

Fair value hedges

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

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

The table below shows the positive and negative fair values of derivative financial instruments held, together with their notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

2022 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity				Monthly average
				Within 3 months	3-12 months	1-5 years	Over 5 years	
Held for trading:								
Special commission rate swaps	2,796,918	(2,638,063)	92,709,388	12,015,196	27,345,630	44,578,700	8,769,862	74,107,729
Forward foreign exchange contracts	165,318	(68,193)	45,903,516	30,295,943	14,506,684	1,100,889	-	33,550,649
Currency options	229	(2,105)	157,019	95,503	61,516	-	-	112,428
Commodity swaps	18,323	(17,281)	1,210,279	855,163	355,116	-	-	1,210,279
Held as fair value hedges:								
Special commission rate swaps	564,842	-	5,813,868	379,775	1,160,422	3,100,020	1,173,651	5,813,868
Held as cash flow hedges:								
Special commission rate swaps	245,211	(128,643)	5,258,049	218,807	668,578	2,981,601	1,389,063	5,258,050
Total	3,790,841	(2,854,285)	151,052,119	43,860,387	44,097,946	51,761,210	11,332,576	-

2021 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity				
				Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	1,291,830	(1,176,314)	60,865,983	6,607,823	15,133,246	27,280,754	11,844,160	46,946,957
Forward foreign exchange contracts	96,035	(92,017)	24,057,318	18,962,292	3,729,735	1,365,291	-	23,987,117
Currency options	191	(191)	113,149	113,149	-	-	-	40,405
Held as fair value hedges:								
Special commission rate swaps	26,459	(169,987)	5,283,720	296,855	1,019,645	2,792,732	1,174,488	5,283,720
Held as cash flow hedges:								
Special commission rate swaps	-	(21,635)	1,375,000	72,857	222,619	1,079,524	-	1,375,000
Total	1,414,515	(1,460,144)	91,695,170	26,052,976	20,105,245	32,518,301	13,018,648	-

Derivatives include non-conventional banking products of SAR 10.16 billion as at December 31, 2022 (December 31, 2021: SAR 7.66 billion).

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

Cash flow hedges

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Below is the schedule indicating as at December 31, 2022 and 2021, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2022 SAR 000s	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	177,293	354,585	318,835	139,979
Total	177,293	354,585	318,835	139,979

2021 SAR 000s	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	12,694	25,387	21,003	-
Total	12,694	25,387	21,003	-

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2022 and 2021.

2022 SAR '000	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed commission rate investments	4,473,105	5,006,101	Fair value	Special commission rate swaps	532,996	-
Fixed commission rate loans	775,921	807,766	Fair value	Special commission rate swaps	31,846	-
Floating commission rate liabilities	4,128,261	3,883,050	Cash flow	Special commission rate swaps	245,211	-
Floating rate notes	1,246,357	1,375,000	Cash flow	Special commission rate swaps	-	(128,643)

2021 SAR '000	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate investments	5,201,065	5,092,681	Fair value	Special commission rate swaps	26,459	(134,844)
Fixed rate loans	834,877	799,734	Fair value	Special commission rate swaps	-	(35,143)
Floating rate notes	1,375,000	1,375,000	Cash flow	Special commission rate swaps	-	(21,635)

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

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC interest rate derivatives contracts for G4 currencies are cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of initial and variation margins to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

a) Investments by type of securities

i) Investment at FVIS

SAR'000	Domestic		International		Total	
	2022	2021	2022	2021	2022	2021
Mutual funds	1,363,419	1,176,774	-	-	1,363,419	1,176,774
Total	1,363,419	1,176,774	-	-	1,363,419	1,176,774

ii) Investment at amortised cost, net

SAR'000	Domestic		International		Total	
	2022	2021	2022	2021	2022	2021
Fixed rate securities	30,172,615	28,866,331	467,889	699,258	30,640,504	29,565,589
Floating rate securities	2,726,455	6,354,823	-	-	2,726,455	6,354,823
Total	32,899,070	35,221,154	467,889	699,258	33,366,959	35,920,412

iii) Investments at FVOCI

SAR'000	Domestic		International		Total	
	2022	2021	2022	2021	2022	2021
Fixed rate securities	-	-	16,047,992	17,466,355	16,047,992	17,466,355
Equities (refer 7c)	505,758	3,316,559	911,992	757,086	1,417,750	4,073,645
Total	505,758	3,316,559	16,959,984	18,223,441	17,465,742	21,540,000
Investments, net	34,768,247	39,714,487	17,427,873	18,922,699	52,196,120	58,637,186

Above investments include sukuks amounting to SAR 25.81 billion (2021: SAR 18.16 billion).

International investments above includes investment portfolios of SAR 1.9 billion (2021: SAR 2.0 billion) which are externally managed.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

b) An analysis of changes in loss allowance is as follows:

Debt instruments carried at amortised cost

SAR'000	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	2,168	3,449	-	5,617
Transfer from Stage 2 & Stage 3 to Stage 1	2,701	(2,701)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(365)	365	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	(482)	294	-	(188)
Balance as at December 31, 2022	4,022	1,407	-	5,429
Balance at January 1, 2021	16,073	-	-	16,073
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,312)	1,312	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	(12,593)	2,137	-	(10,456)
Balance as at December 31, 2021	2,168	3,449	-	5,617

Debt instruments carried at FVOCI

SAR'000	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	38,098	35,702	38,937	112,737
Transfer from Stage 2 & Stage 3 to Stage 1	18,240	(3,669)	(14,571)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(5,928)	11,342	(5,414)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(3,351)	(12,959)	16,310	-
Net other movements*	(28,459)	15,111	274,778	261,430
Balance as at December 31, 2022	18,600	45,527	310,040	374,167
Balance at January 1, 2021	52,554	24,346	23,448	100,348
Transfer from Stage 2 & Stage 3 to Stage 1	12,180	(5,338)	(6,842)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(10,771)	10,771	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(51)	(631)	682	-
Net other movements*	(15,814)	6,554	21,649	12,389
Balance as at December 31, 2021	38,098	35,702	38,937	112,737

*Includes remeasurement

c) Equity securities designated at FVOCI

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	Fair value as at December 31, 2022 SAR'000	Fair value as at December 31, 2021 SAR'000	Dividend income recognised during 2022 SAR'000	Dividend income recognised during 2021 SAR'000
Saudi Exchange(Tadawul) listed equities	84,478	2,931,818	65,599	120,011
Other Saudi equities	421,280	384,741	-	-
Foreign equities	911,992	757,086	543	58
Total	1,417,750	4,073,645	66,142	120,069

During 2022, the Group sold shares in Saudi Exchange(Tadawul) listed equities having a fair value of SAR 2,918.4 million (SAR 239.2 million during 2021) and the gain amounting to SAR 1,012.3 million (2021: gain of SAR 14.9 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio. Other equities loss amounted to SAR 117 million (2021: gain of SAR 13 million).

d) The analysis of the composition of investments is as follows:

i) Investment at FVIS

SAR'000	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Mutual funds	1,363,419	-	1,363,419	1,176,774	-	1,176,774
Total	1,363,419	-	1,363,419	1,176,774	-	1,176,774

ii) Investment at amortised cost, net

SAR'000	2022			2021		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	16,234,149	14,406,355	30,640,504	11,180,726	18,384,863	29,565,589
Floating rate securities	1,382,653	1,343,802	2,726,455	842,415	5,512,408	6,354,823
Total	17,616,802	15,750,157	33,366,959	12,023,141	23,897,271	35,920,412

iii) Investments at FVOCI

SAR'000	2022			2021		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	16,047,992	-	16,047,992	17,466,355	-	17,466,355
Equities	863,174	554,576	1,417,750	3,536,111	537,534	4,073,645
Total	16,911,166	554,576	17,465,742	21,002,466	537,534	21,540,000
Investments, net	35,891,387	16,304,733	52,196,120	34,202,381	24,434,805	58,637,186

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 13.6 billion (2021: SAR 22.8 billion).

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For the years ended December 31, 2022 and 2021

e) The analysis of investments by counter-party is as follows:

	2022 SAR'000	2021 SAR'000
Government and quasi Government	32,616,001	34,249,966
Corporate	15,553,709	15,121,503
Banks and other financial institutions	4,026,410	9,265,717
Total	52,196,120	58,637,186

Investments include SAR 9,025 million (2021: SAR 9,307 million), which have been pledged under repurchase agreements with banks (note 19 d)). The market value of such investments is SAR 6,900 million (2021: SAR 9,715 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2022 SAR '000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	4,192,438	1,133,417	84,958,190	151,766,818	824,920	242,875,783
Non-performing loans and advances	238,237	46,259	1,264,370	2,690,618	4,478	4,243,962
Total loans and advances	4,430,675	1,179,676	86,222,560	154,457,436	829,398	247,119,745
Allowance for impairment/ ECL	(179,927)	(60,018)	(986,072)	(3,526,098)	(2,683)	(4,754,798)
Total	4,250,748	1,119,658	85,236,488	150,931,338	826,715	242,364,947

2021 SAR '000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	5,277,415	823,626	75,604,907	135,611,522	831,957	218,149,427
Non-performing loans and advances	344,293	29,989	872,493	2,407,175	1,015	3,654,965
Total loans and advances	5,621,708	853,615	76,477,400	138,018,697	832,972	221,804,392
Allowance for impairment/ ECL	(201,286)	(25,479)	(825,289)	(3,460,949)	(1,154)	(4,514,157)
Total	5,420,422	828,136	75,652,111	134,557,748	831,818	217,290,235

Loans and advances, net, include non-conventional banking products of SAR 168.9 billion (2021: SAR 146.0 billion). As at December 2022, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 122.0 billion (2021: SAR 102.7 billion), Ijarah amounting to SAR 20.6 billion (2021: SAR 21.7 billion) and Murabaha amounting to SAR 27.2 billion (2021: SAR 23.4 billion) and the expected credit loss allowance on the portfolio was SAR 3.3 billion (2021: SAR 3.2 billion). During 2022, the special commission income on the portfolio amounted to SAR 7.6 billion (2021: SAR 5.9 billion).

* Includes consumer mortgage loans

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
ECL on total loans and advances (SAR'000)				
Balance at January 1, 2022	628,944	1,472,072	2,413,141	4,514,157
Transfer from Stage 2 & Stage 3 to Stage 1	104,352	(52,543)	(51,809)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(11,201)	69,782	(58,581)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(7,701)	(37,289)	44,990	-
Net re-measurement of loss allowance**	(185,424)	97,515	328,550	240,641
Balance as at December 31, 2022	528,970	1,549,537	2,676,291	4,754,798
Balance at January 1, 2021	1,026,381	945,452	2,562,180	4,534,013
Transfer from Stage 2 & Stage 3 to Stage 1	161,497	(35,360)	(126,137)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(6,320)	41,526	(35,206)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,542)	(16,154)	18,696	-
Net re-measurement of loss allowance**	(550,072)	536,608	(6,392)	(19,856)
Balance as at December 31, 2021	628,944	1,472,072	2,413,141	4,514,157

** Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts and others).

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
ECL on credit cards (SAR'000)				
Balance at January 1, 2022	7,253	4,647	13,579	25,479
Transfer from Stage 2 & Stage 3 to Stage 1	2,847	(1,202)	(1,645)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(65)	110	(45)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(54)	(49)	103	-
Net re-measurement of loss allowance	11,957	6,256	16,326	34,539
Balance as at December 31, 2022	21,938	9,762	28,318	60,018
Balance at January 1, 2021	5,758	2,595	21,477	29,830
Transfer from Stage 2 & Stage 3 to Stage 1	8,202	(1,012)	(7,190)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(153)	1,653	(1,500)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(96)	(184)	280	-
Net re-measurement of loss allowance	(6,458)	1,595	512	(4,351)
Balance as at December 31, 2021	7,253	4,647	13,579	25,479

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

ECL on consumer loans* (SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	250,762	107,073	467,454	825,289
Transfer from Stage 2 & Stage 3 to Stage 1	95,641	(45,477)	(50,164)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,531)	17,019	(14,488)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,252)	(19,808)	21,060	-
Net re-measurement of loss allowance	(98,010)	28,391	230,402	160,783
Balance as at December 31, 2022	244,610	87,198	654,264	986,072
Balance at January 1, 2021	313,834	72,984	611,750	998,568
Transfer from Stage 2 & Stage 3 to Stage 1	145,777	(26,831)	(118,946)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,262)	35,968	(33,706)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,150)	(9,541)	10,691	-
Net re-measurement of loss allowance	(205,437)	34,493	(2,335)	(173,279)
Balance as at December 31, 2021	250,762	107,073	467,454	825,289

* Includes consumer mortgage loans.

ECL on Commercial loans** (SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	370,929	1,360,352	1,932,108	3,663,389
Transfer from Stage 2 & Stage 3 to Stage 1	5,864	(5,864)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(8,605)	52,653	(44,048)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(6,395)	(17,432)	23,827	-
Write-offs	-	-	(918,935)	(918,935)
Net re-measurement of loss allowance	(99,371)	62,868	1,000,757	964,254
Balance as at December 31, 2022	262,422	1,452,577	1,993,709	3,708,708
Balance at January 1, 2021	706,789	869,873	1,928,953	3,505,615
Transfer from Stage 2 & Stage 3 to Stage 1	7,518	(7,517)	(1)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(3,905)	3,905	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,296)	(6,429)	7,725	-
Net re-measurement of loss allowance	(338,177)	500,520	678,604	840,947
Write-offs	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	370,929	1,360,352	1,932,108	3,663,389

** Includes overdrafts and others.

c) An analysis of changes in gross carrying amount of loans and advances

Total loans and advances (SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	204,058,833	13,441,444	4,304,115	221,804,392
Transfer from Stage 2 & Stage 3 to Stage 1	1,535,196	(1,394,820)	(140,376)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,153,875)	2,282,456	(128,581)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,101,601)	(549,912)	1,651,513	-
Net other movements*	25,940,198	135,809	158,281	26,234,288
Write-off	-	-	(918,935)	(918,935)
Balance as at December 31, 2022	228,278,751	13,914,977	4,926,017	247,119,745
Balance at January 1, 2021	176,593,045	14,916,155	4,371,448	195,880,648
Transfer from Stage 2 & Stage 3 to Stage 1	2,394,485	(2,083,500)	(310,985)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,342,307)	2,431,610	(89,303)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(484,501)	(274,044)	758,545	-
Net other movements*	27,898,111	(1,548,777)	257,583	26,606,917
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	204,058,833	13,441,444	4,304,115	221,804,392

Credit cards (SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	777,176	46,450	29,989	853,615
Transfer from Stage 2 & Stage 3 to Stage 1	27,826	(20,196)	(7,630)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(7,097)	7,310	(213)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(4,694)	(947)	5,641	-
Net other movements*	258,618	48,971	18,472	326,061
Balance as at December 31, 2022	1,051,829	81,588	46,259	1,179,676
Balance at January 1, 2021	626,115	53,519	30,482	710,116
Transfer from Stage 2 & Stage 3 to Stage 1	3,586	(2,824)	(762)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,450)	2,679	(229)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(1,038)	(173)	1,211	-
Net other movements*	150,963	(6,751)	(713)	143,499
Balance as at December 31, 2021	777,176	46,450	29,989	853,615

* Includes new loans generated, loans repaid, charge offs and other re-measurements.

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Consumer loans* (SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	74,447,992	1,156,915	872,493	76,477,400
Transfer from Stage 2 & Stage 3 to Stage 1	702,907	(570,161)	(132,746)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(909,139)	949,491	(40,352)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(393,502)	(165,517)	559,019	-
Net other movements***	9,402,265	336,939	5,956	9,745,160
Balance as at December 31, 2022	83,250,523	1,707,667	1,264,370	86,222,560
Balance at January 1, 2021	61,917,840	1,509,007	1,105,749	64,532,596
Transfer from Stage 2 & Stage 3 to Stage 1	1,160,790	(850,570)	(310,220)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(570,964)	660,038	(89,074)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(271,737)	(114,350)	386,087	-
Net other movements***	12,212,063	(47,210)	(220,049)	11,944,804
Balance as at December 31, 2021	74,447,992	1,156,915	872,493	76,477,400

Commercial loans**(SAR'000)	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Balance at January 1, 2022	128,833,665	12,238,079	3,401,633	144,473,377
Transfer from Stage 2 & Stage 3 to Stage 1	804,463	(804,463)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,237,639)	1,325,655	(88,016)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(703,405)	(383,448)	1,086,853	-
Net other movements***	16,279,315	(250,101)	133,853	16,163,067
Write-off	-	-	(918,935)	(918,935)
Balance as at December 31, 2022	143,976,399	12,125,722	3,615,388	159,717,509
Balance at January 1, 2021	114,049,090	13,353,629	3,235,217	130,637,936
Transfer from Stage 2 & Stage 3 to Stage 1	1,230,109	(1,230,106)	(3)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,768,893)	1,768,893	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(211,726)	(159,521)	371,247	-
Net other movements***	15,535,085	(1,494,816)	478,345	14,518,614
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	128,833,665	12,238,079	3,401,633	144,473,377

* Includes consumer mortgage loans

** Includes overdrafts and others

*** Includes new loans generated, loans repaid, charge offs and other re-measurements.

d) Impairment charge for financing losses in the consolidated statement of income represents:

	2022 SAR'000	2021 SAR'000
Charge for the year, net*	1,599,651	1,217,921
Recovery of written off loans and advances, net	(569,058)	(357,067)
Allowance for impairment, net (note 8 e)	1,030,593	860,854

* Includes net charge offs

e) Impairment charges for credit losses and other provisions, net as reflected in the consolidated statement of income are detailed as follows:

	2022 SAR'000	2021 SAR'000
Impairment charge for credit losses, net (note 8 d)	1,030,593	860,854
Impairment reversal for other financial assets, net	(3,193)	(10,097)
Total	1,027,400	850,757

9. INVESTMENT IN ASSOCIATES

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

- a) 48.46% (2021: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets.

Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2022 the total assets, liabilities and shareholders' equity amounted to SAR 1,548 million (September 30,2022: SAR 1,767 million), SAR 882 million (September 30,2021: SAR 967 million) and SAR 666.8 million (September 30,2021: SAR 800 million) respectively.

- b) 30.6% (2021: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re- insurance operations and all related activities as per applicable laws and regulations in the Kingdom.
- c) During the year, Royal and Sun Alliance Insurance (Middle East) Limited E.C.(RSA), incorporated in Bahrain and engaged in insurance and re-insurance business, was acquired by National Life and General Insurance Company SAOG(NLG). As a result of the acquisition, the Bank was allotted 14.35% shares in NLG, by way of share swap, with fair value of SAR 194.3 million, in exchange for its holding in RSA. The Bank had 21.4% share ownership in RSA before the above said acquisition by NLG. The Bank has classified the investment in NLG shares as FVOCI.

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For the years ended December 31, 2022 and 2021

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

SAR '000	Land and buildings	Right of Use assets	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
Cost						
Balance as at January 1, 2021	1,435,204	842,940	1,069,433	566,593	3,294,733	7,208,903
Additions	48,258	227,495	63,381	56,210	439,646	834,990
Disposals	(8,949)	(117,167)	(12,832)	(1,110)	(250)	(140,308)
Balance as at December 31, 2021	1,474,513	953,268	1,119,982	621,693	3,734,129	7,903,585
Additions	194,301	290,098	89,200	95,545	628,295	1,297,439
Disposals	(760)	(259,973)	(10,900)	(18,206)	(120,686)	(410,525)
Balance at December 31, 2022	1,668,054	983,393	1,198,282	699,032	4,241,738	8,790,499
Accumulated depreciation and amortisation						
Balance as at January 1, 2021	592,077	263,418	915,623	473,518	2,536,456	4,781,092
Charge for the year	21,019	186,260	45,077	33,071	207,766	493,193
Disposals	(2,436)	(60,267)	(12,828)	(1,036)	(235)	(76,802)
Balance as at December 31, 2021	610,660	389,411	947,872	505,553	2,743,987	5,197,483
Charge for the year	19,802	192,687	47,991	26,793	253,259	540,532
Disposals	(2)	(141,820)	(10,865)	(8,629)	(94,855)	(256,171)
Balance at December 31, 2022	630,460	440,278	984,998	523,717	2,902,391	5,481,844
Net book value						
As at January 1, 2021	843,127	579,522	153,810	93,075	758,277	2,427,811
As at December 31, 2021	863,853	563,857	172,110	116,140	990,142	2,706,102
As at December 31, 2022	1,037,594	543,115	213,284	175,315	1,339,347	3,308,655

Land and buildings and Improvements and decoration of premises include work in progress amounting to SAR 28.9 million as at December 31, 2022 (2021: nil) and SAR 30.5 million as at December 31, 2022 (2021: SAR 13.5 million), respectively. Disposals include canceled or closed lease contracts.

11. OTHER ASSETS

	2022 SAR'000	2021 SAR'000
Accounts receivable	818,338	476,827
Others*	2,357,608	1,015,359
Total	3,175,946	1,492,186

* Mainly include prepayments and sundry debtors, settlement accounts and items in transit amounting to SAR 2,267 million (2021: SAR 788 million), which are cleared in the normal course of business.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022 SAR'000	2021 SAR'000
Current accounts	1,260,568	1,062,616
Money market deposits	37,499,500	42,071,524
Total	38,760,068	43,134,140

Money market deposits include deposits against sales of fixed rate bonds of SAR 8,518 million (2021: SAR 9,407 million) with agreement to repurchase the same at fixed future dates (note 19 d)). The profit free deposits from SAMA as under various COVID-19 support programs amounting to SAR 19.9 billion (2021: SAR 19.9 billion) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 348 million (2021: SAR 854 million).

13. CUSTOMER DEPOSITS

	2022 SAR'000	2021 SAR'000
Demand	123,376,425	116,255,002
Saving	1,269,928	1,348,523
Time	96,102,144	75,032,396
Others	19,258,588	19,042,376
Total	240,007,085	211,678,297

Time deposits include non-conventional banking deposits of SAR 32,559 million (2021: SAR 31,252 million). Demand deposits also include non-conventional call deposits of SAR 2,103 million (2021: SAR 1,294 million). The special commission expense on the non-conventional deposits for 2022 amounted to SAR 628 million (2021: SAR 152 million). Other customers' deposits include SAR 3,780 million (2021: SAR 3,522 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2022 SAR'000	2021 SAR'000
Demand	3,113,219	3,854,630
Saving	5,353	39,047
Time	9,472,597	24,111,758
Other	500,843	1,917,490
Total	13,092,012	29,922,925

14. DEBT SECURITIES IN ISSUE AND TIER 1 SUKUK

a) Debt securities in issue

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible Sukuk amounting to SAR 3 billion. The Sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

During February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum and are callable after 5 years, subject to the terms and conditions of the agreement.

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During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015 (due 2025). This settlement has been done in line with the early settlement option to repay the Sukuk after 5 years from its issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

b) Tier 1 Sukuk

During October 2022, the Bank successfully, by way of a private placement in the Kingdom of Saudi Arabia, issued through a Shariah compliant arrangement, SAR denominated additional tier 1 sukuk, amounting to SAR 3.75 billion. These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement. The applicable profit rate on the Sukuks is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions. The offering of the sukuk started on 8 September 2022 and was completed on 5 October 2022.

During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity.

The table below sets out movement in Debt securities in issue and Tier 1 Sukuk:

	Debt Securities in issue		Tier 1 Sukuk	
	2022 SAR'000	2021 SAR'000	2022 SAR'000	2021 SAR'000
Opening balance	8,716,577	5,684,008	-	-
Cash flow items				
- Issuance of sukuk	-	3,000,000	6,571,125	-
- Other movements	41,842	32,569	-	-
Closing balance	8,758,419	8,716,577	6,571,125	-

15. OTHER LIABILITIES

	2022 SAR'000	2021 SAR'000
Accounts payable	507,864	828,737
Others*	12,591,787	12,618,152
Total	13,099,651	13,446,889

* Mainly include the below

	2022 SAR'000	2021 SAR'000
Provision for zakat	1,355,218	1,714,132
End of service benefits	827,231	998,396
Lease liability	527,174	538,338
Deferred fair value gain on Government Grant	146,090	263,207
Loss allowance for credit related commitments and contingencies	206,944	256,138
Write-off reserves	586,319	557,619

Other product related insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business.

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2021: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 1,755 million has been transferred from 2022 net income (2021: SAR 1,506 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES

2022 (SAR 000s)	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	(21,635)	(134,353)	301,123	1,492,301	1,637,436
Net change in fair value	149,612	-	(1,988,932)	(69,264)	(1,908,584)
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(86,145)	-	(86,145)
Net ECL movement during the year	-	-	261,430	-	261,430
Actuarial gains	-	201,103	-	-	201,103
Net disposals during the year	-	-	-	(895,500)	(895,500)
Balance at end of the year	127,977	66,750	(1,512,524)	527,537	(790,260)

2021 (SAR 000s)	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	3,401	(208,068)	986,888	963,428	1,745,649
Net change in fair value	(25,036)	-	(386,843)	556,380	144,501
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(311,311)	-	(311,311)
Net ECL movement during the year	-	-	12,389	-	12,389
Actuarial gains	-	73,715	-	-	73,715
Net disposals during the year	-	-	-	(27,507)	(27,507)
Balance at end of the year	(21,635)	(134,353)	301,123	1,492,301	1,637,436

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19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2022, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2022 the Bank had capital commitments of SAR 3,180.7 million (2021: SAR 1,587.9 million). This includes office building, computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2022 (SAR 000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	5,764,535	2,791,221	123,674	-	8,679,430
Letters of guarantee *	17,159,329	31,382,900	27,295,343	1,322,304	77,159,876
Acceptances	2,795,382	849,462	-	-	3,644,844
Irrevocable commitments to extend credit	9,052,818	1,137,585	5,197,469	8,976,377	24,364,249
Total	34,772,064	36,161,168	32,616,486	10,298,681	113,848,399

2021 (SAR 000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	6,255,541	2,700,604	111,636	-	9,067,781
Letters of guarantee *	18,703,364	31,248,356	19,654,004	1,664,352	71,270,076
Acceptances	2,470,786	751,809	4,227	-	3,226,822
Irrevocable commitments to extend credit	5,541,782	2,871,640	4,486,696	8,607,711	21,507,829
Total	32,971,473	37,572,409	24,256,563	10,272,063	105,072,508

* This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

The outstanding unused portion of non-firm commitments as at December 31, 2022 which can be revoked unilaterally at any time by the Group, amounts to SAR 119,241 million (2021: SAR 94,860 million).

ii) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2022	38,779	19,975	197,384	256,138
Transfer from Stage 2 & Stage 3 to Stage 1	4,668	(4,668)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(571)	571	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2)	(477)	479	-
Net re-measurement of loss allowance	(18,411)	1,963	17,327	879
Transfer to write-off reserves	-	-	(50,073)	(50,073)
Balance as at December 31, 2022	24,463	17,364	165,117	206,944

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	47,346	39,174	198,864	285,384
Transfer to 12-month ECL	7,323	(7,323)	-	-
Transfer from Stage 2 & Stage 3 to Stage 1	(745)	745	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(18)	(900)	918	-
Transfer from Stage 1 & Stage 2 to Stage 3	(15,127)	(11,721)	21,047	(5,801)
Transfer to write-off reserves	-	-	(23,445)	(23,445)
Balance as at December 31, 2021	38,779	19,975	197,384	256,138

As at December 31, 2022, the balance in the write-off reserves amounted to SAR 586 million (December 31, 2021: SAR 558 million).

iii) The analysis of commitments and contingencies by counterparty is as follows:

	2022 SAR'000	2021 SAR'000
Corporate	94,473,682	85,268,208
Banks and other financial institutions	19,374,717	19,804,300
Total	113,848,399	105,072,508

d) Assets pledged

Assets pledged as collateral with other banks are as follows:

	2022		2021	
	Assets SAR million	Related liabilities SAR million	Assets SAR million	Related liabilities SAR million
Investments held at amortised cost and FVOCI (note 7 e) and 12	9,025	8,518	9,307	9,407

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

20. SPECIAL COMMISSION INCOME AND EXPENSE

	2022 SAR'000	2021 SAR'000
Special commission income on:		
Investments - FVOCI	756,814	751,776
- Amortised cost	956,711	672,527
	1,713,525	1,424,303
Due from banks and other financial institutions	634,376	92,777
Loans and advances	10,559,660	7,591,026
Total	12,907,561	9,108,106

	2022 SAR'000	2021 SAR'000
Special commission expense on:		
Due to banks and other financial institutions	395,356	95,817
Customer deposits	2,173,745	476,614
Debt securities in issue	286,015	242,502
Total	2,855,116	814,933

21. FEE AND COMMISSION INCOME, NET

	2022 SAR'000	2021 SAR'000
Fee and commission income on:		
- Share brokerage and fund management	749,949	862,622
- Trade finance	707,531	612,195
- Credit facilities and advisory	870,166	620,534
- Card products	927,243	809,797
- Other banking services	304,182	249,643
Total fee and commission income	3,559,071	3,154,791
Fee and commission expense on:		
- Card products	754,143	636,103
- Share brokerage	97,528	141,558
- Other banking services	278,733	259,483
Total fee and commission expense	1,130,404	1,037,144
Fee and commission income, net	2,428,667	2,117,647

22. GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2022 SAR'000	2021 SAR'000
FVOCI	86,145	311,311
Amortised Cost	35,630	96,210
Total	121,775	407,521

23. OTHER OPERATING INCOME

Other operating income mainly includes gain on disposals of property and equipment amounting to SAR 21.3 million (2021: SAR 0.44 million), gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 18.6 million (2021: SAR 25.86 million) and SAR 9.2 million (2021: SAR nil) representing net gains on sale of portfolio and share in associate.

24. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2022 and 2021, and the forms of such payments.

Categories SAR 000	Number of employees		Fixed compensation		Variable compensation		Total compensation	
	2022	2021	2022	2021	2022	2021	2022	2021
Senior executives requiring SAMA no objection	12	12	28,322	29,038	41,836	29,511	70,158	58,549
Employees engaged in risk taking activities	362	478	151,204	167,223	69,201	61,795	220,405	229,018
Employees engaged in control functions	263	375	95,687	115,775	25,749	21,958	121,436	137,733
Outsourced employees	1,200	960	38,594	49,603	-	-	38,594	49,603
Other employees	4,957	4,795	1,141,577	993,567	212,387	169,652	1,353,964	1,163,219
Total	6,794	6,620	1,455,384	1,355,206	349,173	282,916	1,804,557	1,638,122
Variable compensation accrued during the year and other employee related benefits*							802,121	737,078
Total salaries and employee-related expenses as per consolidated statement of income							2,257,505	2,092,284

* Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

The Group's compensation policy is based on the nature of the job, market practices and job holder's level of involvement in risk taking and controlling activities. The policy applies to all employees, including the executive management team and aims to link individual performance to the Group's overall achievements and financial soundness and results. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are calculated based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

The Board of Directors has the responsibility to approve and oversee the Group's compensation and incentives policy. The Board Nomination and Compensation Committee (NCC) is composed of five non-executive Directors (comprising of three Board Directors and two independent external members) and is charged with overseeing the compensation system design and its effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee (NCC) is accountable for reviewing and approving the Group's compensation and incentives policy and undertaking its periodic assessment and update the policy to ensure achievement of the system objectives and reinforce the Group's risk management framework. Fixed compensation comprises of salaries, wages and allowances along with other benefits. Variable compensation includes bonuses, sales incentives, product-related rewards and performance-related payments.

The Group has adopted fixed and variable compensation schemes. The senior management team and material risk takers, a percentage of their variable compensation is deferred and vested over a period of three (3) years and is aligned with the job holder's level of responsibility, Group and individual performance and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against both industry norms and international best practice and makes necessary revisions as deemed appropriate.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

25. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended December 31, 2022 are calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the year by 3,000 million outstanding shares.

Basic and diluted earnings per share for the year ended December 31, 2021 are calculated by dividing the net income for the year by 3,000 million outstanding shares.

26. DIVIDENDS

During July 2022, interim dividends of SAR 1,500 million at SAR 0.50 per share (2021: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank and the distribution date for the dividend was 11 August 2022. Final dividends of SAR 1,950 million at SAR 0.65 per share (2021: SAR 1,620 million at SAR 0.54 per share) have been proposed for 2022.

27. ZAKAT

During 2018, the Group reached an agreement with the ZATCA on the settlement of zakat claims for previous financial years up to the end of the fiscal financial year 2017, against payment of an amount of SAR 2,970 million. As per the settlement agreement, the Group was required to settle 20% of the agreed zakat liability in 2018, and the remaining amount to be settled over a period of five years. Accordingly the Group has recorded zakat for the previous years and until the end of financial year 2017, through its retained earnings amounting to SAR 753.6 million. This was in addition to SAR 440 million accrued during first half of 2018. As a result of the settlement agreement, the Group agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

The Bank has estimated provision for zakat liability for the year ended December 31, 2022 at SAR 809 million (December 31, 2021: SAR 693 million).

The zakat paid during year-end December 31, 2022 amounted to SAR 1,168 million (December 31, 2021: SAR 1,160 million).

28. DEFINED BENEFIT PLAN

a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

b) The movement in the obligation during the year based on its present value are as follows:

	2022 SAR'000	2021 SAR'000
Defined benefit obligation at the beginning of the year	998,396	1,029,374
Current service cost	94,962	95,723
Interest cost	27,592	22,958
Benefits paid	(92,616)	(75,944)
Actuarial gains recognised in other comprehensive income	(201,103)	(73,715)
Defined benefit obligation at the end of the year	827,231	998,396

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

c) Charge for the year

	2022 SAR'000	2021 SAR'000
Current service cost	94,962	95,723
Interest on defined benefit obligations	27,592	22,958
	122,554	118,681

d) Re-measurement recognised in Other comprehensive income:

	2022 SAR'000	2021 SAR'000
Gain from change in experience assumptions	(29,791)	(15,706)
Actuarial loss (gain) due to change in demographic assumptions	6,099	(3,412)
Gain from change in financial assumptions	(177,411)	(54,597)
	(201,103)	(73,715)

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate per annum	5.4%	2.7%
Expected rate of salary increase per annum	4.0%	4.0%
Normal retirement age	60	60

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

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2022 and 2021 to the discount rate of 5.4% (2021: 2.7%) and salary escalation rate 4.0% (2021: 4.0%).

	Impact on defined benefit obligation increase / (decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
2022			
Discount rate	0.50%	(25,780)	30,591
Expected rate of salary increase	0.50%	30,843	(26,261)
2021			
Discount rate	0.50%	(47,525)	51,383
Expected rate of salary increase	0.50%	50,473	(47,180)

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

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions are correlated.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

29. CASH AND CASH EQUIVALENTS

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

	2022 SAR'000	2021 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	20,872,849	15,259,413
Due from banks and other financial institutions maturing within three months from the date of acquisition	20,613,232	17,147,273
Total	41,486,081	32,406,686

30. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.

Treasury and investments

Principally providing money market, trading and treasury services, derivative products as well as the management of the Group's investment portfolios.

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	101,042,509	4,510,664	162,042,320	92,057,364	359,652,857
Total liabilities	102,058,965	771,268	174,405,485	26,243,790	303,479,508
Total operating income, net including	3,996,626	1,020,900	5,638,051	2,943,789	13,599,366
- Inter segment income (expenses)	(68,874)	220,977	(256,994)	104,891	-
- Net special commission income	3,824,546	245,882	4,147,506	1,834,511	10,052,445
- Fee and commission income, net	207,884	726,162	1,478,020	16,601	2,428,667
Total operating expenses, net including	3,212,087	287,306	1,794,723	396,576	5,690,692
- Depreciation of property and equipment and right of use assets	396,010	30,848	87,661	26,013	540,532
- Impairment charge for credit losses and other financial assets, net	295,164	5,380	727,717	(861)	1,027,400
- Impairment charge for investments, net	-	-	-	253,115	253,115
Share in losses of associates, net	-	-	-	(80,238)	(80,238)
Income before zakat	784,539	733,594	3,843,328	2,466,975	7,828,436

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	89,582,744	3,077,143	145,839,326	87,236,605	325,735,818
Total liabilities	97,884,761	950,050	153,532,485	26,068,751	278,436,047
Total operating income, net including	3,747,019	972,893	4,314,395	2,533,534	11,567,841
- Inter segment income (expenses)	(57,195)	182,273	(365,799)	240,721	-
- Net special commission income	3,675,371	194,792	3,042,705	1,380,305	8,293,173
- Fee and commission income, net	103,146	759,852	1,231,061	23,588	2,117,647
Total operating expenses, net including	2,538,951	278,540	1,842,867	156,925	4,817,283
- Depreciation of property and equipment and right of use assets	378,540	29,204	74,131	11,318	493,193
- Impairment charge for credit losses and other financial assets, net	(65,761)	-	919,281	(2,763)	850,757
- Impairment charge for investments, net	-	-	-	1,927	1,927
Share in losses of associates, net	-	-	-	(32,498)	(32,498)
Income before zakat	1,208,068	694,353	2,471,528	2,344,111	6,718,060

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

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

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	98,244,997	3,071,831	161,195,836	91,577,324	354,089,988
Commitments and contingencies	-	-	67,701,341	-	67,701,341
Derivatives	-	-	-	7,229,062	7,229,062

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	87,164,337	1,837,054	145,337,308	83,654,088	317,992,787
Commitments and contingencies	-	-	64,888,615	-	64,888,615
Derivatives	-	-	-	4,320,606	4,320,606

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment and right of use assets, net and other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

31. FINANCIAL RISK MANAGEMENT

31.1 Credit risk

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by the deployment of Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by 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.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. 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 individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 31.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 e). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 30.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 36.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

31.2 Geographical concentration

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2022 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	33,366,645	-	7	-	-	-	-	33,366,652
Cash in hand	4,197,492	-	7	-	-	-	-	4,197,499
Balances with SAMA	29,169,153	-	-	-	-	-	-	29,169,153
Due from banks and other financial institutions	10,514,247	497,994	2,358,785	5,733,105	-	1,193,893	315,208	20,613,232
Current accounts	1,168,911	7,119	101	5,335,223	-	23,303	6,586	6,541,243
Money market	9,345,336	490,875	2,358,684	397,882	-	1,170,590	308,622	14,071,989
Positive fair value of derivatives	791,820	50,872	2,948,149	-	-	-	-	3,790,841
Investments, net	34,768,247	1,449,164	3,338,676	8,004,881	961,615	470,148	3,203,389	52,196,120
FVIS	1,363,419	-	-	-	-	-	-	1,363,419
FVOCI	505,758	1,344,331	3,338,676	7,641,825	961,615	470,148	3,203,389	17,465,742
Amortised cost	32,899,070	104,833	-	363,056	-	-	-	33,366,959
Investment in associates	371,215	-	-	-	-	-	-	371,215
Loans and advances, net	231,306,659	5,546,444	4,716,933	794,676	-	-	235	242,364,947
Overdraft	4,250,748	-	-	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	-	-	1,119,658
Consumer loan	85,236,488	-	-	-	-	-	-	85,236,488
Commercial loans	139,873,050	5,546,444	4,716,933	794,676	-	-	235	150,931,338
Others	826,715	-	-	-	-	-	-	826,715
Other assets	3,175,946	-	-	-	-	-	-	3,175,946
Accounts receivable and others	3,175,946	-	-	-	-	-	-	3,175,946
Total	314,294,779	7,544,474	13,362,550	14,532,662	961,615	1,664,041	3,518,832	355,878,953
Liabilities								
Due to banks and other financial institutions	24,380,837	8,301,048	5,819,887	147,281	-	23,495	87,520	38,760,068
Current accounts	108	405,051	707,480	65,501	-	23,495	58,933	1,260,568
Money market deposits	24,380,729	7,895,997	5,112,407	81,780	-	-	28,587	37,499,500
Negative fair value of derivatives	1,393,849	133,519	1,221,885	102,828	-	-	2,204	2,854,285
Customer deposits	239,301,017	-	706,068	-	-	-	-	240,007,085
Demand	123,354,352	-	22,073	-	-	-	-	123,376,425
Saving	1,269,928	-	-	-	-	-	-	1,269,928
Time	95,418,149	-	683,995	-	-	-	-	96,102,144
Other	19,258,588	-	-	-	-	-	-	19,258,588
Debt securities in issue	8,758,419	-	-	-	-	-	-	8,758,419
Other liabilities	13,045,634	-	35,698	18,167	-	152	-	13,099,651
Accounts payable and others	13,045,634	-	35,698	18,167	-	152	-	13,099,651
Total	286,879,756	8,434,567	7,783,538	268,276	-	23,647	89,724	303,479,508
Commitments and contingencies	85,062,235	1,768,334	9,254,288	9,908,527	-	5,694,119	2,160,896	113,848,399
Letters of credit	8,640,001	-	15,855	6,167	-	14,328	3,079	8,679,430
Letters of guarantee	53,686,902	659,587	9,198,035	5,784,925	-	5,676,706	2,153,721	77,159,876
Acceptances	3,630,361	3,878	1,640	1,784	-	3,085	4,096	3,644,844
Irrevocable commitments to extend credit	19,104,971	1,104,869	38,758	4,115,651	-	-	-	24,364,249
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	2,247,039	210,113	4,771,910	-	-	-	-	7,229,062
Held for trading	2,222,039	210,113	3,989,606	-	-	-	-	6,421,758
Held as fair value	-	-	436,579	-	-	-	-	436,579
Held as cash flow	25,000	-	345,725	-	-	-	-	370,725
Commitments and contingencies	50,392,615	964,505	5,774,800	5,662,152	-	3,556,167	1,351,102	67,701,341
Letters of credit	3,738,585	-	6,861	2,669	-	6,199	1,332	3,755,646
Letters of guarantee	33,539,082	412,119	5,747,058	3,614,500	-	3,546,883	1,345,674	48,205,316
Acceptances	3,630,361	3,878	1,640	1,784	-	3,085	4,096	3,644,844
Irrevocable commitments to extend credit	9,484,587	548,508	19,241	2,043,199	-	-	-	12,095,535

2021 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	25,587,468	-	10	-	-	-	-	25,587,478
Cash in hand	4,240,475	-	10	-	-	-	-	4,240,485
Balances with SAMA	21,346,993	-	-	-	-	-	-	21,346,993
Due from banks and other financial institutions	10,841,747	184,542	1,403,258	5,024,952	-	3,028	187,305	17,644,832
Current accounts	23,694	88,250	108,168	4,838,433	-	3,028	87,387	5,148,960
Money market	10,818,053	96,292	1,295,090	186,519	-	-	99,918	12,495,872
Positive fair value of	837,419	27,872	548,877	347	-	-	-	1,414,515
Investments, net	39,714,488	996,454	3,828,477	8,352,701	554,785	1,497,310	3,692,971	58,637,186
FVIS	1,176,774	-	-	-	-	-	-	1,176,774
FVOCI	3,316,560	828,165	3,828,477	8,352,701	554,785	1,497,310	3,162,002	21,540,000
Amortised cost	35,221,154	168,289	-	-	-	-	530,969	35,920,412
Investment in associates	452,396	197,324	-	-	-	-	-	649,720
Loans and advances, net	209,642,265	4,967,038	2,031,111	649,515	-	-	306	217,290,235
Overdraft	5,420,422	-	-	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	-	-	828,136
Consumer loans	75,652,111	-	-	-	-	-	-	75,652,111
Commercial loans	126,909,778	4,967,038	2,031,111	649,515	-	-	306	134,557,748
Others	831,818	-	-	-	-	-	-	831,818
Other assets	1,492,186	-	-	-	-	-	-	1,492,186
Accounts receivable and others	1,492,186	-	-	-	-	-	-	1,492,186
Total	288,567,969	6,373,230	7,811,733	14,027,515	554,785	1,500,338	3,880,582	322,716,152
Liabilities								
Due to banks and other financial institutions	25,585,537	10,397,428	6,524,577	223,158	-	10,848	392,592	43,134,140
Current accounts	-	362,642	612,175	11,634	-	10,848	65,317	1,062,616
Money market deposits	25,585,537	10,034,786	5,912,402	211,524	-	-	327,275	42,071,524
Negative fair value of derivatives	123,099	11,079	1,316,368	9,598	-	-	-	1,460,144
Customer deposits	210,001,193	-	1,677,104	-	-	-	-	211,678,297
Demand	116,240,770	-	14,232	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	-	-	1,348,523
Time	73,369,524	-	1,662,872	-	-	-	-	75,032,396
Other	19,042,376	-	-	-	-	-	-	19,042,376
Debt securities in issue	8,716,577	-	-	-	-	-	-	8,716,577
Other liabilities	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Accounts payable and others	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Total	257,813,765	10,408,507	9,566,312	243,944	-	10,927	392,592	278,436,047
Commitments and contingencies	77,660,647	1,562,118	11,570,734	11,229,652	-	2,897,878	151,479	105,072,508
Letters of credit	8,467,348	222,242	274,433	1,200	-	68,246	34,312	9,067,781
Letters of guarantee	49,041,273	734,815	10,906,101	7,766,471	-	2,721,146	100,270	71,270,076
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	17,169,283	556,889	321,935	3,458,211	-	1,511	-	21,507,829
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,383,019	112,166	2,790,202	35,219	-	-	-	4,320,606
Held for trading	1,383,019	112,166	2,447,991	17,219	-	-	-	3,960,395
Held as fair value hedges	-	-	305,211	-	-	-	-	305,211
Held as cash flow hedges	-	-	37,000	18,000	-	-	-	55,000
Commitments and contingencies	47,528,754	903,573	7,569,754	6,848,694	-	1,939,839	98,001	64,888,615
Letters of credit	3,619,655	95,005	117,316	513	-	29,174	14,668	3,876,331
Letters of guarantee	32,493,238	486,866	7,226,047	5,145,825	-	1,802,948	66,436	47,221,360
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	8,433,118	273,530	158,126	1,698,586	-	742	-	10,564,102

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

	Non-performing loans and advances, net		Allowance for credit losses	
	2022 SAR'000	2021 SAR'000	2022 SAR'000	2021 SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	2,933,333	2,752,483	(1,508,132)	(1,466,496)
Consumer Loans**	1,310,629	902,482	(682,582)	(481,034)
Other GCC and Middle East				
Commercial Loans*	-	-	-	-
Total	4,243,962	3,654,965	(2,190,714)	(1,947,530)

* Includes overdrafts and other loans

** includes consumer mortgage loans and credit cards

31.3 Credit quality analysis

a) The following table sets out information about the credit quality of financial assets as at December 31, 2022 and 2021. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

i) Balances with SAMA and due from bank and other financial institutions

2022 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	49,007,134	-	-	49,007,134
Non-investment grade	775,841	-	-	775,841
Carrying amount	49,782,975	-	-	49,782,975

2021 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	37,447,375	-	-	37,447,375
Non-investment grade	1,546,901	-	-	1,546,901
Carrying amount	38,994,276	-	-	38,994,276

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

ii) Loans and advances, gross at amortized cost

2022 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	228,278,751	7,386,360	129,259	235,794,370
Watch list	-	6,528,617	552,796	7,081,413
Substandard	-	-	2,523,245	2,523,245
Doubtful	-	-	1,295,438	1,295,438
Loss	-	-	425,279	425,279
Carrying amount	228,278,751	13,914,977	4,926,017	247,119,745

2021 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	204,058,833	6,109,508	48,874	210,217,215
Watch list	-	7,331,936	600,276	7,932,212
Substandard	-	-	2,028,768	2,028,768
Doubtful	-	-	979,954	979,954
Loss	-	-	646,243	646,243
Carrying amount	204,058,833	13,441,444	4,304,115	221,804,392

ii) (a) Credit cards, gross

2022 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	1,051,829	29,540	-	1,081,369
Watch list	-	52,048	-	52,048
Substandard	-	-	32,982	32,982
Doubtful	-	-	13,277	13,277
Loss	-	-	-	-
Carrying amount	1,051,829	81,588	46,259	1,179,676

2021 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	777,176	18,796	-	795,972
Watch list	-	27,654	-	27,654
Substandard	-	-	25,010	25,010
Doubtful	-	-	4,966	4,966
Loss	-	-	13	13
Carrying amount	777,176	46,450	29,989	853,615

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ii) (b) Consumer loans, gross*

2022 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	83,250,523	718,691	-	83,969,214
Watch list	-	988,976	-	988,976
Substandard	-	-	682,300	682,300
Doubtful	-	-	433,813	433,813
Loss	-	-	148,257	148,257
Carrying amount	83,250,523	1,707,667	1,264,370	86,222,560

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	74,447,992	346,545	-	74,794,537
Watch list	-	810,370	-	810,370
Substandard	-	-	436,695	436,695
Doubtful	-	-	243,806	243,806
Loss	-	-	191,992	191,992
Carrying amount	74,447,992	1,156,915	872,493	76,477,400

ii) (c) Commercial loans, gross**

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	143,976,399	6,638,129	129,259	150,743,787
Watch list	-	5,487,593	552,796	6,040,389
Substandard	-	-	1,807,963	1,807,963
Doubtful	-	-	848,348	848,348
Loss	-	-	277,022	277,022
Carrying amount	143,976,399	12,125,722	3,615,388	159,717,509

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	128,833,665	5,744,167	48,874	134,626,706
Watch list	-	6,493,912	600,276	7,094,188
Substandard	-	-	1,567,063	1,567,063
Doubtful	-	-	731,182	731,182
Loss	-	-	454,238	454,238
Carrying amount	128,833,665	12,238,079	3,401,633	144,473,377

* Includes consumer mortgage loans

** Includes overdrafts and other loans

iii) (a) Debt investment securities at amortised cost

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	31,125,136	-	-	31,125,136
Investment Grade	1,197,433	-	-	1,197,433
Non-investment Grade	944,261	105,558	-	1,049,819
Carrying amount	33,266,830	105,558	-	33,372,388

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	33,584,032	-	-	33,584,032
Investment Grade	1,925,619	-	-	1,925,619
Non-investment Grade	234,835	181,543	-	416,378
Carrying amount	35,744,486	181,543	-	35,926,029

iii) (b) Debt investment securities at FVOCI

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade	9,383,854	-	-	9,383,854
Non-investment Grade	4,334,535	1,640,626	688,977	6,664,138
Carrying amount	13,718,389	1,640,626	688,977	16,047,992

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade	10,094,232	659,731	-	10,753,963
Non-investment Grade	5,189,076	1,436,794	86,522	6,712,392
Carrying amount	15,283,308	2,096,525	86,522	17,466,355

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iv) The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2022 and 2021.

2022 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	84,296,157	2,214,663	8,137	86,518,957
Watch list	-	2,167,204	31,403	2,198,607
Substandard	-	-	429,442	429,442
Doubtful	-	-	54,529	54,529
Loss	-	-	282,615	282,615
Carrying amount	84,296,157	4,381,867	806,126	89,484,150

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	76,976,224	2,086,475	119	79,062,818
Watch list	-	3,812,211	59,360	3,871,571
Substandard	-	-	311,787	311,787
Doubtful	-	-	50,832	50,832
Loss	-	-	267,671	267,671
Carrying amount	76,976,224	5,898,686	689,769	83,564,679

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

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

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

- the credit risk grade at the reporting date with the credit risk grade at origination for any significant downgrade.
- the lifetime PD at the reporting date with the lifetime PD at origination for any significant increase in default risk.

The Group, groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

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

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 and his business activities.

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

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

Corporate exposures	Retail exposures	All exposures
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, compliance with covenants, quality management and senior management changes.	Internally collected data and customer behavior – e.g. utilization of credit card facilities.	Payment record – this includes overdue status as well as a range of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings.	Customer payment behavior based on internally collected data – e.g. Delinquency cycles,	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available,	Types and number of products held at customer level.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		Existing and forecast changes in business, financial and economic conditions.

i) 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 macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, oil prices, inflation, and money supply. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

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ii) Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, Group's quantitative risk grading and PD models indicate a material credit risk deterioration. In addition, using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iii) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan 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 banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The relevant Board Committee regularly receives Loan Asset Quality review reports including forbearance activities.

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

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

iv) Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The Group considers indicators that are:
- qualitative- e.g. breaches of covenant ;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both, its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macroeconomic models, in order to predict the default rates for the Corporate, Investments and Retail portfolio, for the future years.

The macroeconomic forecasts are made across four non-baseline scenarios, including the three stress scenarios mentioned in the below table. The forecasts for national factors were provided by the Bank and for the global factors, the forecasts were internally generated. These scenarios are formulated by considering the forecasts based on the latest economic outlook as the baseline. There is also an optimistic scenario namely 'Mild upturn' which is the inverse of the 'Mild Downturn' scenario. Following probability of scenario occurrences have been used to arrive at the final ECL estimates:

- Base - 40%
- Mild Up - 30%
- Mild Down- 10%
- Moderate - 10%
- Severe - 10%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated using local and international sources, such as General Authority for Statistics (KSA), World Bank, IMF etc. The Group started with close to 50 macro- economic variables for data collection purposes and these were further curtailed to 11 factors for the development of macroeconomic models, and using the most robust statistical techniques like linear and multi-factor regression, the Group finally selected only the best suitable combination of variables pertaining to the respective portfolios (on which the model would be applied). The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure under different portfolios:

- National GDP Growth Rate (%)
- Inflation(Consumer Price Index)
- Money Supply- M3 (Mn SAR)
- Crude oil prices (in USD per Barrel)
- Real Estate Loans (Mn SAR)
- World GDP(Constant prices)
- Investment(% of World GDP)

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Group has used below baseline forecast related to the macroeconomic variables and for comparison purposes, severe stress forecasts are also presented along.

	Forecast calendar years used in 2022 ECL model (Baseline)			Forecast calendar years used in 2022 ECL model (Severe)		
	2023	2024	2025	2023	2024	2025
Economic Indicators						
National GDP Growth Rate Constant Prices(%)	8.96	4.67	1.83	7.12	2.83	-0.01
National GDP Growth Rate Current Prices (%)	25.64	1.24	2.49	17.35	-7.05	-5.8
Inflation (% change in Consumer Price Index)	2.8	2.1	2.1	4.5	3.8	3.8
Money Supply- M3 (Mn SAR)	2,495,834	2,620,626	2,751,657	2,331,137	2,455,929	2,586,960
Crude oil prices (in USD per Barrel)	100.8	94.6	89.4	82.8	76.6	71.4
Real Estate Loans (Mn SAR)	689,113	819,277	951,546	594,687	724,851	857120.6
World GDP(Constant Prices)	3.2	2.7	3.2	1.8	1.2	1.8
Investment(% of World GDP)	27.3	27.6	27.7	26.9	27.2	27.4

Sensitivity of ECL allowance

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates.

The potential impact of global economic slowdown, inflationary pressures, volatility in energy prices, and high interest rate environment add certain estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

The Group has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. The Group uses different macroeconomic models for different portfolios/sub-portfolios for its Corporate & Retail Loans and Investments exposures and therefore, the sensitivity analysis reflects changes in the value of given macroeconomic variable(s) used in these models and the resulting ECL impact on the respective portfolio(s). Noting that macroeconomic adjustment to a single PIT PD model may include more than one independent economic variable as model input, the standalone ECL impact of aforesaid sensitivity analysis is performed. The sensitivity analysis is performed taking into account the materiality of the exposure which is covered under a particular macroeconomic model:

Assumptions sensitized (SAR' 000)	ECL impact 2022
Macro-economic factors:	
5% Contraction in National GDP Growth Rate (Mn SAR)	16,954
10% Contraction in National GDP Growth Rate (Mn SAR)	34,608
5% Increase in Inflation (Consumer Price Index)	9,051
10% Increase in Inflation (Consumer Price Index)	18,468
10% Contraction in Money Supply- M3(Mn SAR)	13,017
20% Contraction in Money Supply- M3(Mn SAR)	26,150
5% Dip in oil prices (USD per Barrel)	33,168
10% Dip in oil prices (USD per Barrel)	68,834
5% Contraction in Real Estate Loans (Mn SAR)	2,307
10% Contraction in Real Estate Loans (Mn SAR)	4,814
5% Decline in the World GDP(Mn SAR)	170
10% Decline in World GDP(Mn SAR)	347
5% Decline in Investment(% of World GDP)	349
10% Decline in Investment(% of World GDP)	701
Scenario Probability of Occurrence	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	8,283
Base scenario sensitized by +/- 5% with corresponding change in mild upside	7,671

vi) Measurement of ECL

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates 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 compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail 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.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters 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. LGD estimates are recalibrated for different economic scenarios and calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, financial guarantees and Retail credit cards, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include but not limited to below:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower;
- Economic Sectors.

The Group's risk and business profile is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

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31.4 Credit quality of loans and advances

a) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

SAR'000	2022				2021			
	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi Government	441,615	-	(772)	440,843	-	-	-	-
Banks and other financial institutions	12,101,125	-	(15,177)	12,085,948	9,334,300	2,108	(28,396)	9,308,012
Agriculture and fishing	2,824,724	-	(3,557)	2,821,167	2,339,051	-	(3,412)	2,335,639
Manufacturing	26,063,183	288,122	(828,558)	25,522,747	26,434,029	468,686	(903,221)	25,999,494
Mining and quarrying	7,676,613	294	(4,348)	7,672,559	9,594,059	320	(11,153)	9,583,226
Electricity, water, gas and health services	13,011,079	17,027	(18,221)	13,009,885	8,141,975	10,440	(18,691)	8,133,724
Building and construction	18,520,949	759,012	(1,460,447)	17,819,514	15,994,266	1,171,339	(1,734,406)	15,431,199
Commerce	50,272,634	1,247,666	(976,812)	50,543,488	51,900,765	1,024,198	(867,075)	52,057,888
Transportation and communication	6,177,580	4,357	(7,572)	6,174,365	5,813,073	4,671	(9,539)	5,808,205
Services	15,983,998	616,527	(392,306)	16,208,219	11,917,468	70,721	(87,238)	11,900,951
Consumer loans and credit cards	86,091,607	1,310,629	(1,046,090)	86,356,146	76,428,533	902,482	(850,768)	76,480,247
Others	3,710,676	328	(938)	3,710,066	251,908	-	(258)	251,650
Total	242,875,783	4,243,962	(4,754,798)	242,364,947	218,149,427	3,654,965	(4,514,157)	217,290,235

b) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2022 SAR'000	2021 SAR'000
Good loans	101,110,339	89,785,862
Past due but performing loans	5,820,259	2,480,368
Non performing loans	2,738,536	1,761,356
Total	109,669,134	94,027,586

32. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

32.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

- 10 days holding period at 99% confidence interval for regulatory capital computation
- 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2022 and 2021 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2022			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2022	1.85	7.57	3.41	11.32
Average VaR for 2022	1.70	6.96	4.28	11.56
Maximum VaR for 2022	2.78	11.39	7.15	19.06
Minimum VaR for 2022	0.82	3.37	2.54	6.06

	2021			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2021	0.98	2.29	4.19	7.46
Average VaR for 2021	2.00	2.29	5.22	9.50
Maximum VaR for 2021	16.08	10.51	7.66	23.88
Minimum VaR for 2021	0.56	0.11	3.48	5.35

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32.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2022 and 2021, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2022 and 2021 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2022 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	494.42	-	-	-	-	-
USD	+ 100	(152.04)	(0.26)	(0.20)	(42.00)	(551.07)	(593.53)
EUR	+ 100	(3.44)	-	-	-	-	-
GBP	+ 100	(5.61)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(570.50)	-	-	-	-	-
USD	- 100	206.95	0.26	0.20	42.00	551.07	593.53
EUR	- 100	2.08	-	-	-	-	-
GBP	- 100	2.70	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

2021 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	603.70	-	-	-	-	-
USD	+ 100	(178.08)	(7.78)	0.45	(89.00)	(547.15)	(643.48)
EUR	+ 100	(12.73)	-	-	-	-	-
GBP	+ 100	(16.20)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	571.04	-	-	-	-	-
USD	- 100	(135.23)	7.78	(0.45)	89.00	547.15	643.48
EUR	- 100	0.09	-	-	-	-	-
GBP	- 100	12.35	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

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For the years ended December 31, 2022 and 2021

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	16,166,000	-	-	-	17,200,652	33,366,652
Cash in hand	-	-	-	-	4,197,499	4,197,499
Balances with SAMA	16,166,000	-	-	-	13,003,153	29,169,153
Due from banks and other financial institutions	19,029,388	-	-	-	1,583,844	20,613,232
Current accounts	4,957,399	-	-	-	1,583,844	6,541,243
Money market placements	14,071,989	-	-	-	-	14,071,989
Positive fair value of derivatives	71,580	104,042	674,001	2,941,218	-	3,790,841
Investments, net	1,214,314	4,183,099	9,469,887	34,547,651	2,781,169	52,196,120
FVIS	-	-	-	-	1,363,419	1,363,419
FVOCI	39,577	229,798	6,493,969	9,284,648	1,417,750	17,465,742
Amortised cost	1,174,737	3,953,301	2,975,918	25,263,003	-	33,366,959
Investment in associates	-	-	-	-	371,215	371,215
Loans and advances, net	93,615,579	66,084,434	37,016,352	45,648,582	-	242,364,947
Overdraft	4,250,748	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	1,119,658
Consumer loans	3,949,400	10,976,701	27,372,022	42,938,365	-	85,236,488
Commercial loans	83,469,058	55,107,733	9,644,330	2,710,217	-	150,931,338
Others	826,715	-	-	-	-	826,715
Other real estate	-	-	-	-	465,249	465,249
Property and equipment and right of use assets, net	-	-	-	-	3,308,655	3,308,655
Other assets	817,863	-	-	-	2,358,083	3,175,946
Accounts receivable and others	817,863	-	-	-	2,358,083	3,175,946
Total assets	130,914,724	70,371,575	47,160,240	83,137,451	28,068,867	359,652,857
Liabilities and shareholders' equity						
Due to banks and other financial institutions	9,453,587	13,977,592	13,434,373	633,948	1,260,568	38,760,068
Current accounts	-	-	-	-	1,260,568	1,260,568
Money market deposits	9,453,587	13,977,592	13,434,373	633,948	-	37,499,500
Negative fair value of derivatives	47,531	61,267	594,506	2,150,981	-	2,854,285
Customer deposits	80,412,372	23,615,761	4,287,547	1,422,353	130,269,052	240,007,085
Demand	12,968,096	-	-	-	110,408,329	123,376,425
Saving	667,793	-	-	-	602,135	1,269,928
Time	66,776,483	23,615,761	4,287,547	1,422,353	-	96,102,144
Other	-	-	-	-	19,258,588	19,258,588
Debt securities in issue	-	-	-	8,758,419	-	8,758,419
Other liabilities	-	-	-	-	13,099,651	13,099,651
Accounts payable and others	-	-	-	-	13,099,651	13,099,651
Shareholders' equity and Tier 1 sukuk	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	89,913,490	37,654,620	18,316,426	12,965,701	200,802,620	359,652,857
Special commission rate sensitivity -On statement of financial position gap	41,001,234	32,716,955	28,843,814	70,171,750	(172,733,753)	-
Special commission rate sensitivity -Off statement of financial position gap	5,957,151	1,584,398	(2,546,289)	(4,995,259)	-	-
Total special commission rate sensitivity gap	46,958,385	34,301,353	26,297,525	65,176,491	(172,733,753)	-
Cumulative special commission rate sensitivity	46,958,385	81,259,738	107,557,263	172,733,754	-	-

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	10,973,837	-	-	-	14,613,641	25,587,478
Cash in hand	-	-	-	-	4,240,485	4,240,485
Balances with SAMA	10,973,837	-	-	-	10,373,156	21,346,993
Due from banks and other financial institutions	15,198,374	146,218	-	-	2,300,240	17,644,832
Current accounts	2,848,720	-	-	-	2,300,240	5,148,960
Money market placements	12,349,654	146,218	-	-	-	12,495,872
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	15,992,867	1,455,645	9,833,910	26,104,345	5,250,419	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	15,959,498	1,167,163	2,873,165	15,920,586	-	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	82,013,817	66,001,889	38,700,747	30,573,782	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	4,171,698	12,792,905	28,702,343	29,985,165	-	75,652,111
Commercial loans	70,761,743	53,208,984	9,998,404	588,617	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property, equipment and right of use assets, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	124,696,021	67,641,904	48,964,743	57,584,105	26,849,045	325,735,818
Liabilities and shareholders' equity						
Due to banks and other financial institutions	14,240,715	7,441,084	19,755,892	633,833	1,062,616	43,134,140
Current accounts	-	-	-	-	1,062,616	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	63,335,023	14,564,913	1,724,366	730,553	131,323,442	211,678,297
Demand	4,611,610	-	-	-	111,643,392	116,255,002
Saving	710,849	-	-	-	637,674	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	-	-	-	-	19,042,376	19,042,376
Debt securities in issue	-	-	-	8,716,577	-	8,716,577
Other liabilities	-	-	-	-	13,446,889	13,446,889
Accounts payable and others	-	-	-	-	13,446,889	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	77,657,818	22,023,065	21,950,581	10,971,636	193,132,718	325,735,818
Special commission rate sensitivity -On statement of financial position gap	47,038,203	45,618,839	27,014,162	46,612,469	(166,283,673)	-
Special commission rate sensitivity -Off statement of financial position gap	3,525,653	37,575	(1,275,409)	(2,287,819)	-	-
Total special commission rate sensitivity gap	50,563,856	45,656,414	25,738,753	44,324,650	(166,283,673)	-
Cumulative special commission rate sensitivity gap	50,563,856	96,220,270	121,959,023	166,283,673	-	-

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iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2022 and 2021 on its non- trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency Exposures As at December 31, 2022 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±2.148
EUR	± 1	±0.097
GBP	± 1	±0.257
JPY	± 1	±0
Others	± 1	±0

Currency Exposures As at December 31, 2021 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±7.1
EUR	± 1	±0.0006
GBP	± 1	±0.014
JPY	± 1	±0
Others	± 1	±0

iv) Foreign currency risk

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2022 Long (short) SAR'000	2021 Long (short) SAR'000
US Dollar	(718,731)	(762,308)
Japanese Yen	209	232
Euro	17	14
Pound Sterling	(86)	83
Others	11,907	27,113

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The Group did not have any Saudi Exchange (Tadawul) listed equities(shares) as at 31 December 2022. The effect on the Group's domestic equity investments(shares) held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant, for 2021 is as follows:

Market Index	December 31, 2022		December 31, 2021	
	Change in equity index %	Effect in SAR millions	Change in equity index %	Effect in SAR millions
Saudi Exchange (Tadawul)	+5	-	+5	127.85
	+10	-	+10	255.71
	-5	-	-5	(127.85)
	-10	-	-10	(255.71)

33. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by Asset Liability Committee (ALCO). Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2021: 7%) of average demand deposits and 4% (2021: 4%) of average saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

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a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2022 and 2021 based on contractual undiscounted repayment obligations.

As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	10,811,108	14,046,570	13,444,877	634,604	38,937,159
Current accounts	1,260,568	-	-	-	1,260,568
Money market deposits	9,550,540	14,046,570	13,444,877	634,604	37,676,591
Customer deposits	208,040,185	24,861,997	5,542,904	1,574,171	240,019,257
Demand	123,376,437	-	-	-	123,376,437
Saving	1,269,933	-	-	-	1,269,933
Time	66,784,784	23,618,767	4,288,156	1,422,592	96,114,299
Other	16,609,031	1,243,230	1,254,748	151,579	19,258,588
Debt securities in issue	80,529	241,587	1,288,462	9,626,902	11,237,480
Derivative financial instruments	(313,894)	(995,162)	51	-	(1,309,005)
Total undiscounted financial liabilities	218,617,928	38,154,992	20,276,294	11,835,677	288,884,891

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	15,320,485	7,454,281	19,768,378	637,146	43,180,290
Current accounts	1,062,616	-	-	-	1,062,616
Money market deposits	14,257,869	7,454,281	19,768,378	637,146	42,117,674
Customer deposits	192,407,060	15,916,869	2,809,546	894,321	212,027,796
Demand	116,255,022	-	-	-	116,255,022
Saving	1,348,528	-	-	-	1,348,528
Time	58,106,054	14,675,465	1,834,247	766,104	75,381,870
Other	16,697,456	1,241,404	975,299	128,217	19,042,376
Debt securities in issue	146,393	184,248	982,655	9,502,712	10,816,008
Derivative financial instruments	44,891	55,974	161,057	12,369	274,291
Total undiscounted financial liabilities	207,918,829	23,611,372	23,721,636	11,046,548	266,298,385

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

2022 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	20,872,849	-	-	-	12,493,803	33,366,652
Cash in hand	4,197,499	-	-	-	-	4,197,499
Balances with SAMA	16,675,350	-	-	-	12,493,803	29,169,153
Due from banks and other financial institutions	20,613,232	-	-	-	-	20,613,232
Current accounts	6,541,243	-	-	-	-	6,541,243
Money market placements	14,071,989	-	-	-	-	14,071,989
Positive fair value of derivatives	71,580	104,042	674,001	2,941,218	-	3,790,841
Investments, net	134,320	3,016,473	11,173,990	35,090,168	2,781,169	52,196,120
FVIS	-	-	-	-	1,363,419	1,363,419
FVOCI	39,577	229,798	6,493,969	9,284,648	1,417,750	17,465,742
Amortised cost	94,743	2,786,675	4,680,021	25,805,520	-	33,366,959
Investment in associates	-	-	-	-	371,215	371,215
Loans and advances, net	39,959,279	49,410,745	74,714,225	78,280,698	-	242,364,947
Overdraft	4,250,748	-	-	-	-	4,250,748
Credit cards	1,119,658	-	-	-	-	1,119,658
Consumer loans	85,497	451,851	27,802,865	56,896,275	-	85,236,488
Commercial loans	33,676,661	48,958,894	46,911,360	21,384,423	-	150,931,338
Others	826,715	-	-	-	-	826,715
Other real estate	-	-	-	-	465,249	465,249
Property and equipment and right of use assets, net	-	-	-	-	3,308,655	3,308,655
Other assets	817,863	-	-	-	2,358,083	3,175,946
Accounts receivable and others	817,863	-	-	-	2,358,083	3,175,946
Total assets	82,469,123	52,531,260	86,562,216	116,312,084	21,778,174	359,652,857
Liabilities and shareholders' equity						
Due to banks and other financial institutions	10,714,155	13,977,592	13,434,373	633,948	-	38,760,068
Current accounts	1,260,568	-	-	-	-	1,260,568
Money market deposits	9,453,587	13,977,592	13,434,373	633,948	-	37,499,500
Negative fair value of derivatives	47,531	61,267	594,506	2,150,981	-	2,854,285
Customer deposits	208,031,867	24,858,991	5,542,295	1,573,932	-	240,007,085
Demand	123,376,425	-	-	-	-	123,376,425
Saving	1,269,928	-	-	-	-	1,269,928
Time	66,776,483	23,615,761	4,287,547	1,422,353	-	96,102,144
Other	16,609,031	1,243,230	1,254,748	151,579	-	19,258,588
Debt securities in issue	116,169	-	-	8,642,250	-	8,758,419
Other liabilities	1,476,749	592,756	352,949	453,488	10,223,709	13,099,651
Accounts payable and others	1,476,749	592,756	352,949	453,488	10,223,709	13,099,651
Shareholders' equity and Tier 1 sukuk	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	220,386,471	39,490,606	19,924,123	13,454,599	66,397,058	359,652,857

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	15,259,403	-	-	-	10,328,075	25,587,478
Cash in hand	4,240,485	-	-	-	-	4,240,485
Balances with SAMA	11,018,918	-	-	-	10,328,075	21,346,993
Due from banks and other financial institutions	17,498,614	146,218	-	-	-	17,644,832
Current accounts	5,148,960	-	-	-	-	5,148,960
Money market placements	12,349,654	146,218	-	-	-	12,495,872
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	11,491,423	802,560	14,508,926	26,519,299	5,314,978	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	11,458,054	514,078	7,548,181	16,335,540	64,559	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	43,254,418	33,625,068	69,029,829	71,380,920	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	96,268	465,569	27,367,529	47,722,745	-	75,652,111
Commercial loans	36,077,774	33,159,499	41,662,300	23,658,175	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property, equipment and right of use assets, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	88,020,984	34,611,998	83,968,841	98,806,197	20,327,798	325,735,818
Liabilities and shareholders' equity						
Due to banks and other financial institutions	15,303,331	7,441,084	19,755,892	633,833	-	43,134,140
Current accounts	1,062,616	-	-	-	-	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	192,313,545	15,806,317	2,699,665	858,770	-	211,678,297
Demand	116,255,002	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	16,697,456	1,241,404	975,299	128,217	-	19,042,376
Debt securities in issue	84,977	-	-	8,631,600	-	8,716,577
Other liabilities	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Accounts payable and others	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	207,827,799	24,564,750	23,851,072	11,721,273	57,770,924	325,735,818

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note 19 c).

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Fair value and fair value hierarchy

2022 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,363,419	-	-	1,363,419
- Mutual funds	1,363,419	-	-	1,363,419
Investments Held as FVOCI	16,911,166	-	554,576	17,465,742
- Fixed rate securities	16,047,992	-	-	16,047,992
- Equities	863,174	-	554,576	1,417,750
Positive fair value derivatives	-	3,790,841	-	3,790,841
Financial liabilities measured at fair value				
Negative fair value derivatives	-	2,854,285	-	2,854,285

2021 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,176,774	-	-	1,176,774
- Mutual funds	1,176,774	-	-	1,176,774
Investments Held as FVOCI	21,002,466	-	537,534	21,540,000
- Fixed rate securities	17,466,355	-	-	17,466,355
- Equities	3,536,111	-	537,534	4,073,645
Positive fair value derivatives	-	1,414,515	-	1,414,515
Financial liabilities measured at fair value				
Negative fair value derivatives	-	1,460,144	-	1,460,144

The fair value of loans and advances amounted to SAR 240,552 million (2021: SAR 222,745 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances which is categorized within level 3 of fair value hierarchy. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 30,742 million (2021: SAR 36,074 million).

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued at December 31, 2022 and 2021 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

Reconciliation of movement in Level 3

	2022 SAR'000	2021 SAR'000
Opening balance	537,534	454,710
Total gains or losses		
- recognised in other comprehensive income	(8,907)	(34,998)
Other movements	(18,801)	(1,028)
Purchases	44,750	118,850
Closing balance	554,576	537,534

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

35. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2022 SAR'000	2021 SAR'000
a) Major Shareholders		
Loans and advances	335,000	105,550
Customer deposits	21,560,183	27,547,597
Derivatives asset (at fair value)	(2,805)	4,792
Commitments and contingencies (irrevocable)	915,000	894,450
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	18,859	1,647,213
Customer deposits	45,685	2,745,044
Commitments and contingencies (irrevocable)	2,139	3,255,922
Executive end of service	27,070	28,649
c) Associates		
Loans and advances	61,667	150,333
Customer deposits	254,486	29,031
Commitments and contingencies (irrevocable)	613,333	-

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

	2022 SAR'000	2021 SAR'000
Group's mutual funds:		
Customer deposits	590,000	500,000

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2022 SAR'000	2021 SAR'000
Special commission income	17,162	44,610
Special commission expense	686,816	108,162
Fees from banking services, net	405,746	376,195
Directors and committees remuneration and expenses	6,843	6,795
Executive remuneration and bonus	123,719	124,445
Executive end of service	3,672	5,064
Other expenses	32,209	167,552

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2022 and 2021

36. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk.

SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the agreed minimum of 8%. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Group's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2022		2021	
	Capital SAR'000	Ratio %	Capital SAR'000	Ratio %
Top consolidated level				
Tier 1 capital	56,036,158	18.1%	47,306,359	15.8%
Tier 2 capital	9,316,463	-	9,388,920	-
Total regulatory capital (Tier 1 + Tier 2)	65,352,621	21.1%	56,695,279	19.0%

	2022 SAR'000	2021 SAR'000
Risk weighted assets		
Credit risk weighted assets	283,847,741	274,628,117
Operational risk weighted assets	21,401,471	19,649,357
Market risk weighted assets	5,175,650	4,197,387
Total Pillar 1 Risk Weighted Assets	310,424,862	298,474,861

37. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their monthly basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

38. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 82.1 billion (2021: SAR 91.2 billion).

The Bank's assets under management include non-interest based funds amounting to SAR 24.2 billion (2021: SAR 57.4 billion).

39. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2022 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

As at December 31, 2022, Bank's exposure to LIBOR -USD maturing after June 30, 2023 amounted to SAR 13.5 billion for loans and advances and SAR 43.5 billion for notional amount of derivatives.

40. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

41. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Rajab 21, 1444H (corresponding to February 12, 2023).

