

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.

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(20 February 2023)

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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 (note 28 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.