



بنك الرياض
Riyad Bank



بنك الرياض
Riyad Bank

**Always
with you.**

Growing and
innovating.



King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques,
King of the Kingdom of Saudi Arabia



**His Royal Highness Prince Mohammad
bin Salman bin Abdulaziz Al Saud**

Crown Prince and Prime Minister of the Kingdom of Saudi Arabia and
The Chairman of the Council of Economic and
Development Affairs

Riyad Bank

Annual Report

2023

This Annual Report summarizes the **performance and achievements of Riyadh Bank in 2023**, 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.

Reporting Period

The report covers the period from 1 January to 31 December, 2023 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, 2022. 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.

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, 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.

Queries

For any queries regarding this Report, please contact:

Investor Relations Department

Al Shuhada District
Eastern Ring Road
Granada Oasis – A1 Tower
P.O. Box 22622,
Riyadh 11416
Saudi Arabia.
investor.relations@riyadbank.com

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At a Glance

Progressing together. Always with you.

Financial Highlights



Total Assets

SAR 387 Bn.
+8%



Net Income

SAR 8.0 Bn.
+15%

Operating Income

SAR 16 Bn.
+17%

EPS

SAR 2.58
+11%

Net Loans

SAR 274 Bn.
+13%

Deposits

SAR 255 Bn.
+6%

Operating Highlights



Licensed Branches

335



ATMs

+2,200



Employees

7,887



Points of Sale (PoS)

+227,740



Suadization Rate

96%

ESG Highlights



Launched World Cancer Day with 60+ attendees



700,000 meals were distributed during Ramadan



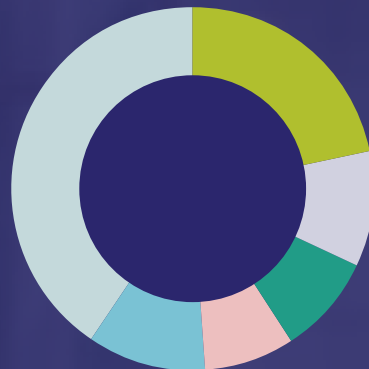
The Dawwer Jehazak Initiative recycled 100,000 electronic parts



Conducted 3 leadership programs

Shareholders

- 21.8% PIF
- 10.4% GOSI
- 8.7% Al Nahla Trading and Contracting Company
- 8.0% Assila Investment Company
- 10.6% Foreign
- 40.5% Others



Theme Chapter

Always with you. Growing and innovating

Riyad Bank made significant strides in its growth and innovation journey in 2023, emphasizing digital banking, customer experience enhancement, and a firm commitment to environmental, social, and governance (ESG) standards.

By aligning with Saudi Vision 2030, the Bank reinforced its role and capabilities as a key driver of the transformation of the Kingdom's financial sector, participating in various initiatives aimed at economic diversification and societal prosperity. The Bank's involvement in the Kafala Finance Guarantee Program and new partnerships with governmental bodies underlined its role in bolstering the national economy and supporting the Kingdom's development plans. Additionally, the integration of advanced technologies like open banking and artificial intelligence into its services underscored the Bank's dedication to being at the forefront of digital transformation, thereby strengthening its position as a leader in the region's banking industry.

The Bank's financial achievements in 2023 were stellar, with a 15% increase in net profit and significant improvements in efficiency and digital engagement. Riyadh Bank's focus on operational excellence and customer satisfaction were also reflected in its improved net promoter scores and brand value. These successes were attributed to the Bank's strategic pillars aimed at profitability, innovation, and being the preferred choice for customers and employees alike.

Supporting the Kingdom's Vision 2030, Riyadh Bank has been pivotal in empowering micro, small, and medium enterprises (MSMEs) through specialized financial services and digital solutions. The launch of Riyadh Bank Center for SMEs and the introduction of digital account openings for these segments showcased the Bank's dedication to facilitating business growth and economic diversification. The establishment of Jeel Company, an innovation arm, further highlighted Riyadh Bank's commitment to fostering fintech development and driving forward the digital banking landscape.

Riyad Bank's dedication to sustainability and social responsibility was evident in its comprehensive CSR program, Bukra, and its alignment with Saudi Vision 2030 and the United Nation's SDGs. By focusing on green financing, enhancing female workforce participation, and initiating environmental projects like the Al Hilal tree planting initiative, the Bank not only contributed to the Kingdom's sustainability goals but also reinforced its commitment to social and environmental stewardship.

These efforts, combined with the Bank's ongoing innovations in digital banking, position Riyadh Bank as a leading entity in driving forward the economic and social agendas of Saudi Arabia – always with our customers, partners, and Stakeholders and we seek to engage, collaborate, and create lasting value.



Bank Profile

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Riyad Bank has been serving the banking needs of its customers for 66 years and has become one of the region's leading financial institutions as a result.

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 7,887 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 335 licensed branches, and more than 227,740 POS, in addition to more than 2,200 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 soon to be launched in China, 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

To be the most innovative and trusted financial solutions partner.

Mission

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

Values

- We Care.
- We Win.
- We are One Team.

Our Operating Segments

Retail Banking

Deposits, credit, and investment products for individuals and small to medium sized businesses.

Corporate Banking

Principally handling corporate customers' current accounts, deposits, and providing loans, overdrafts, and other credit facilities and derivative products.

Treasury and Investment

Principally providing money market, trading, and treasury services, as well as the management of the Group's investment portfolios.

Investment Banking and Brokerage

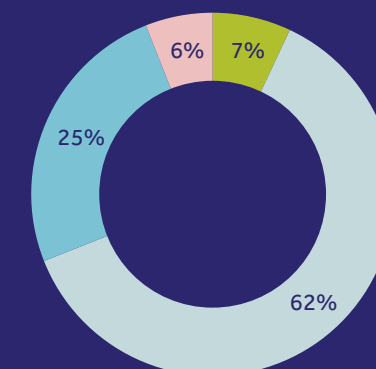
Investment management services and asset management activities related to dealing, managing, arranging, advising, and custody of securities.

The following lays out the contributions of each operating segment to the Bank's total net income for 2023.

Net Income* before Zakat

SAR 8,971 Bn.

- 614 Mn. Retail Banking
- 5,560 Mn. Corporate Banking
- 2,214 Mn. Treasury and Investment
- 583 Mn. Investment Banking and Brokerage**



*The influence of other subsidiaries on the Bank's results is not material.

**Represents Riyadh Capital.

Geographic Footprint

Where We Operate

Across our broad footprint of over **335 licensed branches** and over **2,200 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.

Saudi Arabia Licensed Branches

 **335**

ATM Machines

 **+2,200**

Points of Sale

 **227,740**

International Offices

- UK Branch: London**
- Representative Office: Singapore**
- USA Agency: Houston**
- Soon in China



Houston



London



Soon in China

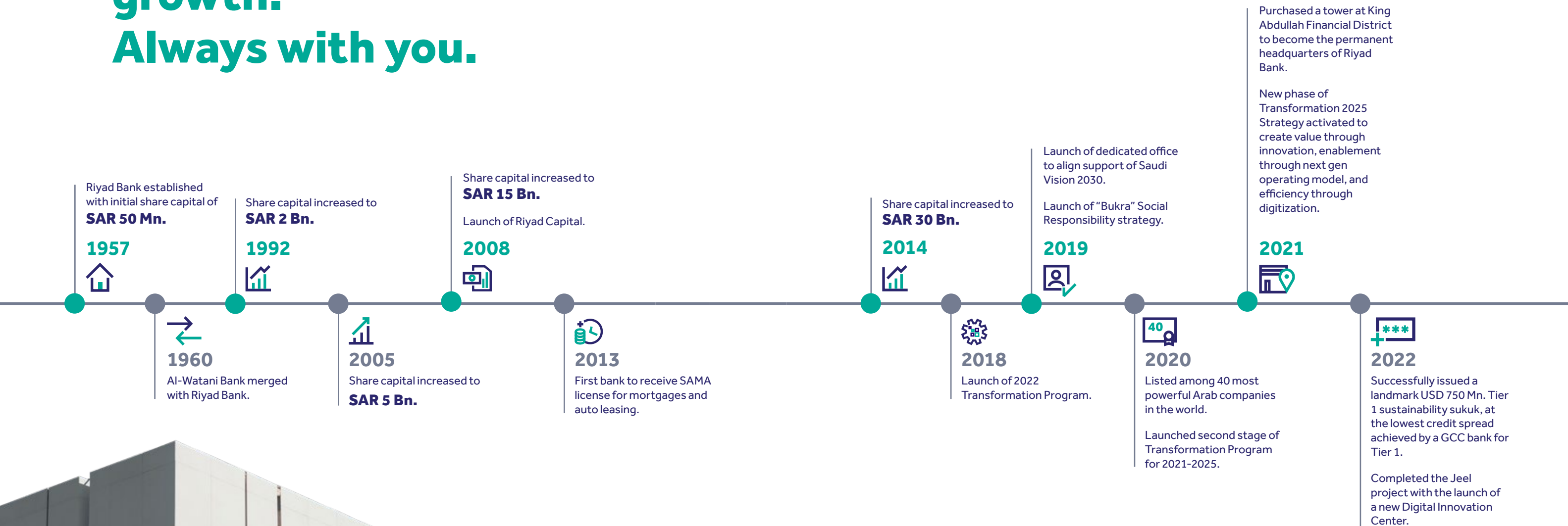


Singapore



Our Journey

Continuing our growth. Always with you.



Riyad Bank was founded 66 years ago and has been on a journey of continuous growth and innovation filled with countless achievements and milestones, as we realized our vision and have created lasting value for our customers, employees, communities and the Kingdom of Saudi Arabia.

Year in Review

Achieving milestones, embracing the future. Always with you.

Another outstanding year of innovation and achievements for Riyad Bank was highlighted by dozens of successful events, sponsorship of worthy causes, high-impact initiatives, and recognition of our efforts, setting a strong foundation for even greater success in the years ahead.



January

Riyad Bank was among the first banks in the Kingdom to implement the linking and integration phase for e-invoicing, underscoring its dedication to enabling digital transformation, a crucial component in realizing the goals of Saudi Vision 2030 and aligning with its Strategy 2025.

February

Riyad Bank and Al-Hilal Club formed a landmark partnership aimed at creating a diverse and comprehensive sports sector, in line with the objectives of Saudi Vision 2030.

Riyad Bank received the Big Data Award by the Public Investment Fund for proactively leveraging data to facilitate business decisions and enhance operations.

March

Riyad Bank launched its new Jeel incubator to accelerate innovative fintech ideas and solutions from concept to execution. Designed to create a comprehensive ecosystem for fintech solutions, fostering promising partnerships for innovation, and supporting Riyad Bank's strategic goals.

ISO Health and Safety Management System Certification

Riyad Bank was certified for ISO:45001 health and safety management standards, an international standard for health and safety at work, developed by national and international standards committees independent of government.

April

Riyad Bank launched its virtual location in the Metaverse, creating a digital simulation of its headquarters in King Abdullah Financial District (KAFD). This innovative digital branch serves as a pivotal entry point into the world of augmented and virtual reality, highlighting

the Bank's commitment to embracing cutting-edge technology and adapting to emerging digital trends.

May

Riyad Bank signed a partnership agreement with NEOM to provide SAR 3 Bn. in debt financing to support the development of Sindalah. This marked a significant milestone as the first NEOM region to be funded with bank debt, underscoring the Bank's commitment to supporting visionary projects and its role as a key financial enabler in the Kingdom's ambitious development plans.

Riyad Bank received the Digital Banking Innovation of the Year Award at the MEA Finance Awards 2023, which recognizes financial institutions, technology solutions providers, and individuals for their exceptional achievement and inspirational leadership in delivering innovative products and services of the highest value to their retail and business customers.

Riyad Bank received the Sustainability in Trade Award at the GTR Saudi Arabia Leaders in Trade 2023, highlighting excellence in the Saudi trade market across a range of sectors.

June

Riyad Bank introduced the 'Alfursan - Travel with your Miles' campaign through its Alfursan credit cards, offering users exclusive opportunities to earn more miles and rewards from the Alfursan program. This demonstrates the Bank's commitment to delivering innovative and valuable financial products to its customers.

Riyad Bank was certified for ISO 26000, an international standard for businesses and organizations committed to operating in a socially responsible way. It provides guidance to those who recognize that respect for society and environment is a critical success factor.

July

Riyad Bank signed an agreement with the Eastern Region Municipality aimed at supporting the business sector by providing facilities and incentives to empower entrepreneurs and small and medium enterprises (SMEs). This strategic partnership underscored the Bank's commitment to fostering economic growth and development in the region and contributing to the broader economic objectives of the Kingdom.

Riyad Bank was honored by J.P. Morgan with the Quality Recognition Award for best-in-class straight-through processing (STP) rates, acknowledging the consistent, high-quality performance of their clients' funds transfer operations Management and Staff.

August

Riyad Bank's Bukra program launched the Goal initiative in collaboration with the Al-Hilal Charity Foundation, pledging to plant 100 trees for every goal scored by Al-Hilal in the ROSHN Saudi

League 2023. This initiative was aimed at promoting sustainable development and supporting the environment.

The Procurement and Contracts Department received ISO 9001:2015 certification, a global acknowledgment designed to foster continuous improvement in quality management systems and enhance customer satisfaction.

September

Riyad Bank was honored with the prestigious 'Future Banks Award' for the Best Banking Technology Initiative in Saudi Arabia, a testament to the concerted efforts of the Bank's leadership to become more innovative and pioneering in the financial technology sector. This recognition highlights Riyad Bank's commitment to embracing cutting-edge technology to enhance its services and customer experience to set new standards in the industry.

October

Riyad Bank provided finance facilities worth USD 1 Bn. to support organizations operating in the ICT sector in order to contribute to the achievement of a thriving digital economy. This initiative reflects the Bank's commitment to facilitating technological advancement and economic diversification in Saudi Arabia, acting as a key driver in the Kingdom's journey towards a digitally-driven future.

Best Banking Technology Initiative Award

Riyad Bank received this award at the KSA Future Banks Awards 2023, which aims to appreciate, empower, and recognize the new benchmarks set by the banking leaders and tech enthusiasts in the Saudi banking sector.

Data Management Excellence Award

Riyad Bank received this honor from Informatica, recognizing data excellence and exploiting business data in operational and analytical aspects, contributing to business objectives through operational effectiveness and trusted decision making.

November

Riyad Bank was honored with 2 excellence awards from the Middle East Investor Relations Association (MEIRA) for its commitment to transparency and professionalism in its corporate reporting. These recognitions further cemented the Bank's position as a leader in corporate governance and reporting, in line with its dedication to best practice investor relations and effective communication with all its key Stakeholders.

Best Large-Cap Annual Report in the Middle East

- Second place in the Print category
- Third place in the Digital category

December

Riyad Bank and Al-Hilal Club Company partnered to introduce the Al-Hilal credit card, representing a unique collaboration between leaders in banking and sports. This initiative illustrates the Bank's innovative approach and commitment to pioneering new pathways in the banking industry.

Investment Case

**Engaging our
Stakeholders.
Always with you.**

01

**A well-connected
bank in Saudi
Arabia with
international
presence**

Riyad Bank is the third largest Bank in the Kingdom of Saudi Arabia in terms of assets, with a solid domestic franchise and brand, **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 335 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.



**Key
Achievements**

Increased female representation to 29% of the workforce, and 33% of new hires were female.

Full alignment of our 2025 Strategy with the objectives of Saudi Vision 2030.

Hired 22 persons with disabilities (PWDs), through the Iqdam program, with the necessary skills and qualifications, furthering our commitment to inclusivity.

The “Finance Guarantee Program for SMEs (Kafala)” announced that Riyad Bank ranked first in 2023 in terms of the value of financing, guarantees, and the number of beneficiary enterprises we support as well as for financing Tourism and Technology sectors.

Bukra program launched the Goal initiative in collaboration with the Al-Hilal Charity Foundation, pledging to plant 100 trees for every goal scored by Al-Hilal in the ROSHN Saudi League 2023.

02

**Well positioned
for growth in
line with Saudi
Vision 2030**

We established a **Business Initiatives and Enablers Development Center (BIED)** in 2021, which was 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.



**Key Pillars of
the Bank's 2025
Strategy**

- ✓ Most Profitable.
- ✓ Most Efficient.
- ✓ Bank of Choice.
- ✓ Most Innovative and Digitally Enabled.

03

Strong and well-capitalized balance sheet and solid income generation capacity

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.



Key Ratios

CET1:	Total CAR:	Leverage:	LCR:	NSFR:
15.7%	20.7%	12.3%	160%	113%
ROAE after Zakat:	ROAA after Zakat:	RoRWA:		
15.6%	2.2%	2.5%		

04

A responsible bank with strong governance and an experienced leadership team

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.



Key Principles

Clear roles and responsibilities for the Board of Directors and Management.	Performance culture at the center.	Experienced and seasoned Management team.
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05

A bank with ESG at the heart of its strategy and operations

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 (SDGs).



Key Drivers and Accomplishments

Riyad Bank launched its new Jeel incubator to accelerate innovative fintech ideas and solutions from concept to execution. Designed to create a comprehensive ecosystem for fintech solutions, fostering promising partnerships for innovation, and supporting Riyad Bank's strategic goals, Jeel represents a significant step in Riyad Bank's efforts to nurture fintech innovation, further solidifying its position as a forward-thinking finance sector leader.

Riyad Bank received the 'Digital Banking Innovation of the Year' award at the MEA Finance Awards 2023, which recognizes financial institutions, technology solutions providers, and individuals for their exceptional achievement and inspirational leadership in delivering innovative products and services of the highest value to their retail and business customers.

The Procurement and Contracts Department received ISO 9001:2015 certification, a global acknowledgment designed to foster continuous improvement in quality management systems and enhance customer satisfaction within the realm of procurement and contracts, managing supplier and owner relationships, and quality assurance.

Riyad Bank received the honor of 'Sustainability in Trade' award, at the GTR Saudi Arabia Leaders in Trade 2023, highlighting excellence in the Saudi trade market across a range of sectors.



Achieved **86%** in internal Customer Satisfaction Index.

Stakeholder Engagement

Fostering collaboration with our Stakeholders. Always with you.

In 2023, Riyad Bank continued to promote transparency and collaboration with our key Stakeholder groups.

Our Employees



- Promoted learning and development by expanding our Riyad Academy to Al-Khobar and provided training opportunities for 100% of the Head Office, with the HiPers program achieving 82% penetration.
- Improved organizational culture and employee experience through an engagement and satisfaction survey, in addition to nationwide roadshows, visiting 119 branches.
- Used feedback to develop 49 actionable solutions including a revamp of the KAFO recognition program, enhanced Careem service, and an Alumni network launch.
- Implemented a new retail banking incentive scheme, motivating employees and driving performance.

- Increased female representation to 29% of the workforce, and 33% of new hires were female.
- Hired 22 persons with disabilities (PWDs), through the Iqdam program, with the necessary skills and qualifications, furthering our commitment to inclusivity.
- Collaborated with the Government on the Tahmeer training program, career fairs, and internship programs, attracting and nurturing future Riyad Bank employees.

These achievements showcase our dedication to building a highly engaged, skilled, and diverse workforce. By investing in our people, we pave the way for continued growth and success for Riyad Bank.

Our Customers



- Conducted multiple usability test sessions for diversified products and services to improve usability.
- Interviewed 5,000+ customers and sent more than 100,000 surveys to our customers to understand their expectations of our products and services with the aim to exceed those expectations.
- Enhanced the customer journey for offline and digital channels.
- Launched Riyad Bank's WhatsApp with customers, for more efficient surveying.
- Launched a revamped VOC program to gauge customers' feedback.
- Improved the error rate for all retail products and services to reduce customers' branch visits.
- Embedded the "right things right, first time" culture into the Bank.

Our Suppliers/ Partners



- Configured 4 new services for Tadawul General Clearing Member (GCM), used by the Bank to orchestrate the flow of transactions from a third party system, internal bank accounts, and general ledger cash flows.
- Achieved Elite Certificate from JP Morgan for reaching an impressive 99.94% straight through processing (STP) rate for corporate payments, and 100% STP rate for treasury payments.
- Data center was awarded the Tier 3 certificate by Uptime Institute, a global digital infrastructure authority.
- Procurement of local content (49% from all Bank logistics purchasing demand).
- Took steps to enable the Bank to be among the first banks to benefit from utilizing the Swift ISO format resulting in an improved customer experience and became part of the Swift GPI community.
- Replaced settlements for reverse Repo to comply with G20 requirements.
- Recognized by Custodian on highest efficiency rate across local Saudi banks.
- Launched Al Hilal and Al Fursan cards.

Our Community



- Empowered PWDs through various fairs, trainings, and forums.
- Organized tree planting events and initiated recycling campaigns.
- Launched the first Social Responsibility Forum with the participation of internal and external CSR Stakeholders.
- Collaborated with various organizations during Ramadan to distribute food baskets to associations across the Kingdom.
- Launched the Innovation Challenge initiative in collaboration with Saudi CSR with over 100,000 beneficiaries.
- Launched the IMPACTHON Social Investment Challenge in collaboration with the National Center to explore solutions to prominent social issues.
- Activated World Blood Donor Day, conducting the campaign across 6 main cities with a total of 906 donors.
- Announced an environmentally conscious initiative under the Bukra program for the upcoming season: For every goal by Al-Hilal, the Bank intends to plant 100 trees.

Our Shareholders



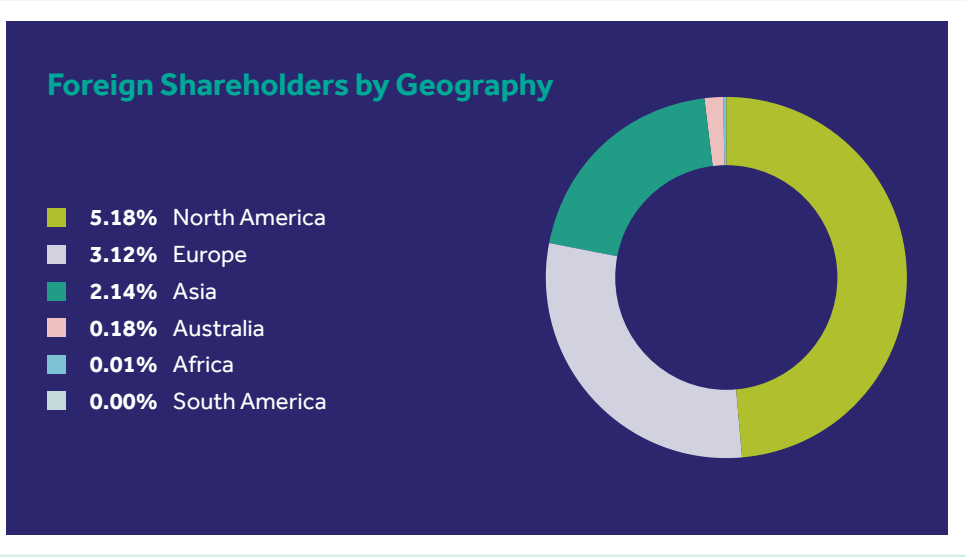
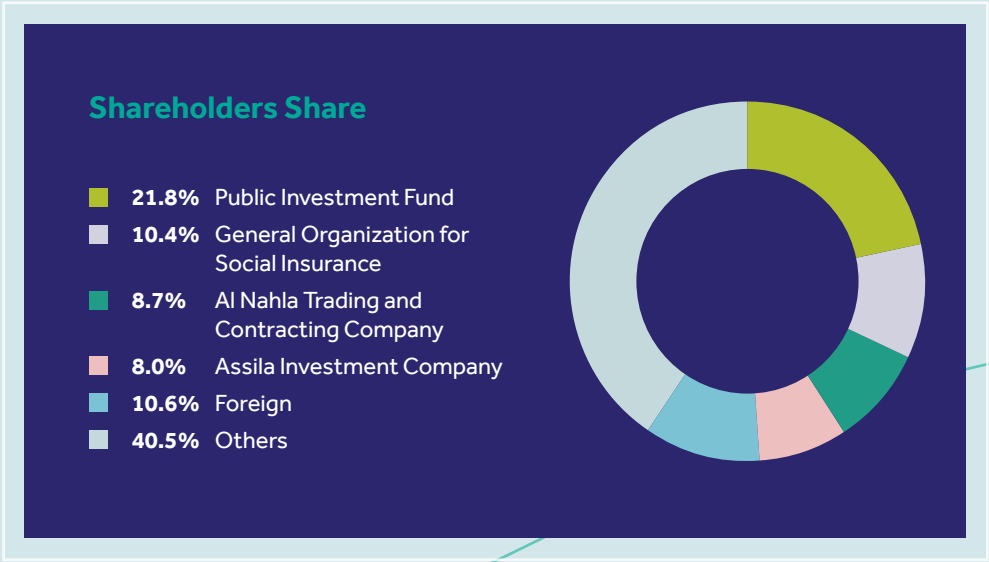
- Prepared and arranged the Extraordinary General Assembly Meeting to be held on Sunday 24 March, 2024, using digital channels to engage Shareholders, including electronic voting, virtual attendance, and digital reminders to attend and vote.
- Distributed dividends to Shareholders for the second half of 2022 and the first half of 2023.



Shareholder Information

Ensuring
transparency.
Always with you.

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, 2023:	SAR 28.50
Market Cap as of 31 December, 2023:	SAR 85,500,000,000
Foreign Ownership Limit:	49%
Free Float:	67.7%



Investor Relations Calendar 2022-2023		
Earning Calls	Roadshows	
<ul style="list-style-type: none">• YE 2022 Earnings call on 21 February, 2023.• Q1 2023 Earnings call on 11 May, 2023.• Q2 2023 Earnings call on 24 July, 2023.• Q3 2023 Earnings call on 6 November, 2023.	<ul style="list-style-type: none">• Saudi Capital Market Forum, 12-13 February, 2023.• Goldman Sachs Sixth Annual Saudi Arabia Conference, 1-2 March, 2023.• The 17th EFG Hermes One-on-One Conference, 6 March, 2023.• Morgan Stanley Conference in London, 23-25 May, 2023.• BofA Conference in Miami, 31 May-2 June, 2023.	<ul style="list-style-type: none">• Goldman Sachs Financial Symposium in London, 11 September, 2023.• EFG Hermes Conference in London, 12 September, 2023.• Non-deal Road Show in London, 13 September, 2023.• JP Morgan in New York, 10-11 October, 2023.• BofA MENA Conference in Riyadh, 8 November, 2023.



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

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Riyad Bank leverages its 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.

Chairman's Statement

Always with you. Growing and innovating.

2023 was a pivotal year for Riyad Bank. We strengthened the segments of Retail and Corporate Banking, accelerated digital banking, enriched the customer experience, and elevated our environmental, social, and governance (ESG) efforts. We participated in the transformation of the Kingdom's financial sector and supported significant initiatives that reflect our commitment to achieving Saudi Vision 2030 goals.

Accelerating Achievements

The exceptional achievements and financial results outlined in the 2023 Annual Report are a source of pride and reaffirm the position and reputation of Riyad Bank. Our dedicated team of elite bankers have proven their ability to compete not only in Saudi Arabia but across the region. Their passion, loyalty, talent, and creative thinking have perfectly executed the Bank's vision and strategy, yielding outstanding results for another year.

In 2023, we outperformed ourselves across all four pillars of our transformation strategy: to be the most profitable (in terms of return on equity, profit growth, and total return to investors), to become the most efficient, most innovative and digitally enabled, and to be the Bank of Choice for customers and employees.

Riyad Bank boasted net profit of SAR 8.0 Bn. in 2023, a growth of 15% compared to SAR 7.0 Bn. in 2022. We increased our return on equity significantly by growing our loan portfolio and improved our cost-to-income ratio through exceptional operational excellence.

We further asserted ourselves as the most innovative and digitally enabled bank in the Kingdom, spearheading numerous market-leading solutions and processes and elevating our digital maturity score. Our net promoter scores improved across the board, as well as our brand equity and brand value, demonstrating the trust we have built with our customers.

Our Vision, Our Identity

Riyad Bank's 2023 results affirm that we are well on our way to achieve our vision of becoming the most innovative and trusted financial solutions partner. We continue to develop our identity, "My Bank, always with you", creating value for all Stakeholders.

Our identity is intricately woven into the fabric of Saudi Vision 2030 and Riyad Bank's Transformation Strategy 2025. Together, the strategies outline a future of prosperity, marked by excellence, fueled by creativity, and led with unwavering leadership across every tier of our organization.



Riyad Bank has committed more than

SAR 21.2 Bn.

to Vision 2030-related projects

Supporting Vision 2030

As one of the largest financial institutions in the Kingdom of Saudi Arabia, Riyad Bank is an active participant in the realization of Saudi Arabia's Vision 2030. Our mission to help people, organizations, and society achieve their aspirations by being their trusted and caring financial solutions partner aligns with our responsibility to the Kingdom, reflecting our call to invigorate the national economy and create prosperity for all.



The 2023 Annual Report showcases Riyad Bank's outstanding achievements, with a 15% increase in net profit to SAR 8.0 Bn and significant strides in innovation and digitalization, reinforcing its position as a trusted financial partner aligned with Saudi Vision 2030 and the Bank's Transformation Strategy 2025.



Net profit increased by

15%



This year, we signed multiple agreements and entered partnerships to support economic diversification and job growth in line with the national strategy. Riyadh Bank has committed more than SAR 21.2 Bn. to Vision 2030-related projects, with 80% of these commitments happening in 2023. This demonstrates our commitment to supporting visionary projects and enabling the Kingdom's ambitious development plans.

Riyad Bank is also playing an important role in promoting financial empowerment for the Kingdom's citizens. We are providing sustainable financing solutions for homebuyers, helping families to increase their household savings rate, and promoting financial literacy through diversified financial planning and product offerings. We are also facilitating seamless payments with solutions such as our digital wallet, Bouki, and integrated e-invoicing.

The Digital Innovation Center at Riyadh Bank, operated by Jeel, achieved notable results in 2023, including launching new digital platforms, enhancing customer experiences, executing mobile platform, and improving internal processes for agile delivery.

Digital Banking and Innovation

As part of Vision 2030 goals and our company strategy, Riyadh Bank is contributing to the wave of digital transformation across Saudi Arabia. This year, we solidified our position as a leading and innovative digital bank in 2023, using advanced technologies such as open banking and artificial intelligence (AI) to serve better our retail and corporate customers.

We increased our Digital Maturity Index score and adopted new solutions such as Microsoft Power BI and Medallia. We also established the Centre of Intelligence to focus on conversational AI and leveraged our open banking and Banking-as-a-Service model to create new value propositions and facilitate data sharing between businesses and financial service providers.

This year, we proudly launched Riyadh Bank's innovation arm, Jeel Company. Operating as an independent business, Jeel is a digital catalyst for the fintech sector, supporting various Stakeholders with thought leadership, emerging technology, and research and development. It offers employees and participants a conducive environment and a holistic framework to create and scale innovative solutions for real-world challenges.

Empowering the Success of MSMEs

In alignment with the Kingdom's efforts to drive innovation and economic growth, Riyadh Bank remains committed to fostering micro, small, and medium enterprises (MSMEs). With 45 branches for MSMEs, In 2023 we launched the Riyadh Bank Center for SMEs as well as a new standalone center in Al Khobar. Our dedicated centers provide specialized financial services and support for this critical yet underserved segment which represents an important pillar of the economy and Saudi Vision 2030. We have also proudly launched digital account opening for startups, further facilitating their ease of doing business.

For seven years in a row, Riyadh Bank has ranked first in terms of the value of financing and guarantees given through the Kafala Finance Guarantee Program for SMEs. This year, we signed new partnership agreements with government agencies such as the General Authority for Small and Medium Enterprises and the Eastern Region Municipality to provide financing to MSMEs. We also established a credit portfolio worth USD 1 Bn. to finance entities in the communications and information sector.

Social responsibility

Riyad Bank is committed to advancing our sustainability journey for the benefit of our people, partners and country. Bukra, our comprehensive and long-term corporate social responsibility (CSR) program, is aligned with local and global best practices including Vision 2030 and the United Nations Sustainable Development Goals. With support from executive leadership, I lead a dedicated CSR Committee to oversee the Bank's sustainability objectives and risks.

In 2023, we continued to improve our CSR strategy and initiatives, covering various ESG aspects. We further established Riyadh Bank as a leader in sustainable finance, growing our net Green and Renewable loan commitments by over SAR 16 Bn.. We also achieved ISO 26000 certification, which recognizes Riyadh Bank's socially and environmentally responsible standards and practices.

We held our inaugural Social Responsibility Forum in March, which enhanced our understanding and collaboration on CSR issues. In the year ahead, we will launch our ambitious Sustainability strategy and three-year roadmap with the aim to "Help Saudi Arabia Thrive".

In 2023, we also upheld our commitments to being a responsible employer, increasing female representation in the workforce, hiring persons with disabilities, and maintaining one of the highest Saudization rates in the Kingdom. Further, as part of our role in environment, we launched Al Hilal tree planting initiative, aligning with environmental the Kingdom's goals of sustainability and ecological responsibility.



Riyad Bank Center for SMEs was launched

A Challenging and Dynamic Banking Sector

Despite the global economic challenges faced in 2023, including ongoing crises impacting the world economy and challenges of integration into the digital economy, we witnessed significant transformations in the banking sector. The demand for online banking services increased, which also raised the potential for cybersecurity risks. In the Kingdom and beyond, financial institutions raced to enhance innovation and technology to deliver more efficient and secure services.

The year 2024 will bring new and complex challenges to the banking sector and the economy at large. We face ongoing crises, security threats, geopolitical uncertainties, and slow economic growth coupled with inflation. In this context, banks have a vital role to play in fostering economic recovery, promoting development, and stimulating the economy. We should work to support MSMEs, increase investment, and forge strategic partnerships and alliances, especially in the technology sector.

The banking sector will also need to accelerate digital transformation to provide more innovative and customer-centric banking services. Moving forward, sustainability and technology will be the key drivers of the banking and economic sectors' challenges and opportunities, both globally and locally.

At Riyadh Bank, we are committed to providing innovative solutions that cater to the needs of Saudi businesses and help boost the national economy. Through our relentless efforts in digital transformation, we deliver more efficient and competitive banking services that enhance the sustainability of our financial performance and achievements. We continue to build on the Bank's legacy and exceed the expectations of our customers, shareholders, and partners.

Acknowledgments

On behalf of all of us at Riyadh Bank, I would like to extend sincere thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, Prime Minister - may Allah protect them and take care of them.

We would also like to express gratitude to the Ministry of Finance, the Saudi Central Bank, and the Capital Market Authority, for the support and assistance they provide to the banking sector, propelling us forward each year.

Abdullah Mohammed Al-Issa

Chairman of the Board

CEO's Message

Sustaining excellence, Always with you.

We are pleased to present our Annual Report for the year 2023, a year marked by excellence and resilience at Riyadh Bank. Despite the economic headwinds that affected the global and regional markets, we delivered outstanding results and achieved our strategic objectives.

Riyad Bank faced the increasing challenges of 2023 with determination and agility, advancing towards our Transformation 2025 Strategy goals. We strengthened our position as the bank of choice, by providing high-quality services to our individual and corporate customers, achieving robust financial results, empowering digitalization, and fostering a culture of innovation.

Riyad Bank also played a vital role in supporting the national economy and the Saudi Vision 2030, by creating a conducive business environment and stimulating economic growth. We launched several initiatives, invested in strategic projects, and supported micro, small, and medium-sized enterprises (MSMEs). Moreover, we expanded our social responsibility efforts by developing, empowering, and training local communities.

Financial Performance

The year 2023 was marked by challenges that affected the global and regional economies. The global banking sector was one of the most influential sectors, accordingly, Riyadh Bank responded proactively by adopting effective risk management practices, such as hedging against market fluctuations and increasing cash reserves to cope with interest rate hikes. This strategy enabled us to safeguard a substantial part of our portfolio value, as well as to capitalize on timely disposal of our investments, which generated considerable capital gains and preserved our capital.

Despite the circumstances, Riyadh Bank achieved remarkable and solid financial results across all sectors in 2023. We recorded a net profit of SAR 8.0 Bn., representing a growth rate of 15% compared to 2022. Additionally, net loans and advances recorded a growth of 13% compared to 2022 driven by 15% growth in corporate loans and 11% in consumer loans.

Accelerating Digitalization

In 2023, Riyadh Bank continued its journey towards digital transformation, achieving remarkable milestones that reinforced its market leadership. The Bank leveraged the latest financial technologies, such as open banking and artificial intelligence (AI) solutions, to enhance its digital banking infrastructure. This enabled the Bank to deliver superior services and products that catered to the dynamic needs of retail and corporate banking customers in the digital era.

The digital transformation and innovation initiatives launched by the Bank were diverse and inclusive, reflecting its commitment to excellence and achieving customer satisfaction. Our digital maturity index improved significantly, despite the implementation of more controls and restrictions to counter fraudulent activities and mitigate associated risks. Some of the notable achievements in this area were the implementation of the Microsoft Power BI for creating bank wide dashboards and the Medallia system for supporting decision-making.

Riyad Bank's innovation arm, Jeel, also reached new heights in 2023, playing a crucial role in advancing the Bank's digital transformation agenda. Jeel introduced various prototypes, applications, and improvements to the Bank's core operations and processes. We also reinforced the internal innovation platform by launching Molhem, which empowered all Riyadh Bank employees to submit innovative solutions to enhance the Bank's social responsibility initiatives. So far, over 400 employees have participated in the platform, proposing 85 creative ideas.



Riyad Bank's 2023 Annual Report highlights resilience and excellence despite global challenges, achieving strategic objectives, enhancing services, supporting economic growth, and expanding social responsibility efforts in line with Saudi Vision 2030.



Net Profit

SAR 8.0 Bn.



Our efforts were recognized by several prestigious awards, such as the 'Best Innovation in Digital Banking Services Award' for 2023 in Saudi Arabia at the MEA Finance Awards. The Bank also received the 'Best Big-Data Applications' award from the Public Investment Fund and Informatica Foundation, as well as a certificate of appreciation from the Middle East Summit on Artificial Intelligence and Banking Analytics.

Artificial Intelligence Center

In 2023, we established the Artificial Intelligence and Advanced Analysis Centre, a strategic initiative that aims to position Riyadh Bank as a leader and pioneer in data analysis and AI at the local and regional levels.

The Center reflects the Bank's continuous efforts to harness the power of advanced technologies to optimize its operations and services. It employs state-of-the-art machine learning technologies and AI techniques that can process and comprehend natural language, enabling the Bank to enhance its processes and increase customer satisfaction.

Open Banking and Banking-as-a-Service

In 2023, we pursued our journey to foster a culture of innovation and create new value propositions based on the open banking and Banking-as-a-Service (BaaS) model. The open banking model stands out by making a significant mark on our operations and boosting efficiency by enabling secure and smooth data sharing between companies and financial service providers.

We reached a significant milestone in 2023 when we obtained official authorization to offer open banking services in compliance with the regulatory framework issued by the Saudi Central Bank (SAMA). As a result, we implemented a variety of open banking services for retail banking customers, in line with our strategy to meet customer needs.

Corporate Banking

In 2023, Corporate Banking at Riyadh Bank delivered outstanding performance, achieving unprecedented growth and remarkable results. The segment's assets grew by 15.2%, and net income rose by 23.3%, accounting for 62.0% of the Bank's total income. This success was driven by Corporate Banking's focus on offering credit facilities to SMEs and supporting large projects.

Corporate Banking played a vital role in supporting Vision 2030 by financing activities and backing various strategic initiatives that boost economic development and generate employment opportunities in the Kingdom. Additionally, the Bank funded green energy projects, totaling 22 projects with a combined value of SAR 105 Bn., with Riyadh Bank's total contribution amounting to SAR 23 Bn.

As part of the Bank's Transformation 2025 Strategy, approximately 90% of total financial transactions executed by our customers are now conducted through our digital channels. This achievement is attributed to the enhancements made to our Global Transaction Banking services and the integration of new technologies in cash management, corporate credit cards, and trade finance.

Supporting MSMEs

In 2023, Riyadh Bank played a crucial role as a key supporter for MSMEs. As of the fourth quarter of 2023, we held 22% of the market share in credit facilities for MSMEs, according to SAMA. This year, the Bank achieved its goal of launching a USD 1 Bn. credit portfolio to finance entities in the communications and information sector within seven months.

Moreover, we expanded our local presence in Saudi Arabia, reaching 45 branches dedicated to serving MSMEs by the end of the year. We also reduced the average response time for credit approval to 48 hours for 50% of customers in this segment. Additionally, the total cross-selling activities across the retail banking reached 220 activities in 2023.

Furthermore, at the start of 2023, we enabled an electronic account opening service for MSMEs, in line with our plan to offer more digital products and services tailored for this customer segment.

Retail Banking

Despite facing a challenging business environment in 2023, the segment overcame the slump in credit growth and profit margin erosion by expanding its deposit base and growing its mortgage and personal loans. Retail Banking remained a key driver of the Bank's overall performance this year, contributing 35% of the net loans and advances.

The Division continued to grow its assets and liabilities significantly, responding to a market shift from current accounts to savings and term deposits.

Retail Banking NPS grew by 10%

Retail liabilities registered a growth of 9% by December 2023 year on year, while consumer lending grew by 5% year on year. Mortgage lending was the Division's prime product again with 11% growth in 2023. Overall, Retail Banking increased its customer base by 10% year on year by December 2023.

Improvements in customer service were significant, with improvements across the board in customer net promoter scores (NPS). The overall Retail Banking NPS grew by 10% since 2022.

As part of our ongoing commitment to delivering quality products in the banking sector, we unveiled an electronic platform that allowed current and new customers to apply for Riyadh Bank's Hilal credit cards online. The year also saw the launch of other innovative products, such as Al-Fursan credit cards, which offered holders unique travel.

Moreover, we added the electronic safe deposit box service for private and affluent banking customers, and enhanced the service provided to our customers.

Private Banking

In 2023, our highly competent Private Banking and Relationship Managers served our customers through dedicated centres in Riyadh, Jeddah, and Al Khobar. This result in an increase of 23% in the number of individual and private customers compared to 2022. The total deposits of Private Banking customers grew by 16% year-on-year in December 2023, while the total relationship value with customer increased.

Exclusive banking services were offered through 39 Diamond Banking centers and 144 Golden Banking service offices across the Kingdom, with the specific goal of attracting customers and boosting current deposits.

Treasury and Investments

Treasury and Investments was a significant contributor to Riyadh Bank's growth in 2023, accounting for 16% of the total operating income. Treasury Division contributed SAR 1,512 Mn. of net special commission income an increase of 51% compared 2022. Additionally, Investments, net stood at SAR 58 Bn. as on December 2023, a 11% increase compared to December 2022. Meanwhile, total liabilities were SAR 43 Bn., a 62% increase compared to the previous year.

In 2023, Treasury and Investments demonstrated its resilience and agility in managing the Bank's investment portfolio amid rising interest rates. We achieved remarkable growth in our commission income due to the successful implementation the Global Markets Strategy Plan. We also strengthened our position in the local derivatives market, closing a mega SAR interest rate swap, where we acted as both a hedge provider and a hedge coordinator for the first time.

We secured a number of major deals that showcased Riyadh Bank's strong capabilities and reputation in the financial market. This included a syndicated senior unsecured term facility of USD 1.2 Bn. with a group of international banks, which will support the Bank's growth and diversification of its funding base.

In 2023, Treasury and Investments undertook a significant organizational revamp to align with the changing business and regulatory environment. We also signed several new treasury relationship master agreements with domestic and international banks, and we have several more in the pipeline.

Acknowledgements

In conclusion, I have the honor of extending our deep gratitude to the wise leadership of the Kingdom, represented by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, Prime Minister - may Allah protect them and take care of them.. I would also like to extend my sincere thanks and appreciation to SAMA, the Capital Markets Authority of Saudi Arabia, as well as 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 Stakeholders and customers for their trust, and every member of the Riyadh Bank family for their dedication and contributions during this successful year. We look forward to another year full of prosperity and achievements. Through our combined effort, service, and commitment we will make further progress towards becoming the bank of choice in the Kingdom by 2025.

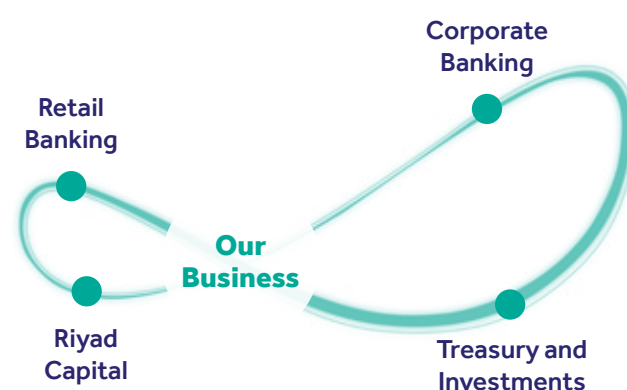
Nadir S. Al-Koraya

Chief Executive Officer

Business Model

Driving innovation through our unique strengths. Always with you.

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.



SAR 387 Bn.

Assets

Third largest

Bank in Saudi Arabia

14 SDGs

Bukra program targets

Our Strengths

Financial Strength

- SAR 387 Bn. in Assets.
- SAR 274 Bn. in Loans.
- SAR 255 Bn. in Deposits.

Rating Strength

- Fitch: A-
- Standard & Poor's: A-
- Moody's: A2

Operational Strength

- 335 Branches.
- 2,200 ATMs.
- 227,740 PoS.

Human Capital Strength

- 7,887 Employees.
- 29% 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 69 proposals and initiatives related to the Vision, 36 agreements were signed, and 29 programs were launched.

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.
- Riyadh Capital.

Our Stakeholders

Our Shareholders

- 2.58 EPS.
- 10.6% QFI.

Our Customers

- 89% Retail Active Digital Customers.

Our Employees

- Employee satisfaction score 65% with 97% participation rate.
- 33% female recruits in 2023.

Our Brand*

- SAR 7.73 Bn. Brand Value.
- 86% 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.
- The bank has obtained the ISO 26000 certification in social responsibility.

*Brand Finance

Strategy and KPIs

Creating sustainable value. Always with you.

In 2022, the Bank’s strategy was refined to adapt to the macro-environment, underpinned by rising interest rates. The refined 2025 Strategy is built upon 4 strategic pillars, focusing on accelerating growth and innovation:



Most Profitable

Achieving these aspirations by 2025 requires the Bank to excel across key internal capabilities, such as customer experience, speed to market with new products, organizational agility, and talent management.



Most Efficient



Bank of Choice

Fully aligned with the goals of Saudi Vision 2030 and the Bank’s commitments to corporate sustainability, this strategy allows the Bank to pursue its business ambitions while contributing to the greater good and success of the Kingdom.



Most Innovative and Digitally Enabled

Our strategic aspirations are driven by key operating model shifts across our business units.

Our Segments

Groups of Riyadh Bank customers with similar characteristics and behaviors, such as affluence and confidentiality.

Our Products

“What” the Bank offers the customers, from accounts to credit cards to loans.

Our Channels

“How” the Bank offers services and products to serve customers through multiple touchpoints, such as branches, IVR, digital portal, and app.

Previous Approach

Focusing on banking needs only, by formulating meet-the market propositions.

Previous Approach

Setting standardized prices to match the market, with a focus on balance sheet growth and value of NIBs.

Previous Approach

Branch first for sales and service.

Updated Approach

Focusing on the customer ecosystem beyond banking to create custom propositions for particular segment levels.

Updated Approach

Developing customized relationships via risk-based pricing and capturing transactions, FX, fees, etc. to create wealth for customers.

Updated Approach

Mobile/digital first for sales and service.

Our Strategic Drivers

Riyad Bank’s success in achieving its aspirations will be driven by 3 strategic drivers:



Value through Innovation

Under the new strategy, value will be driven by innovation across the entire customer experience. This entails developing tailored value propositions for the various customer segments in the Saudi market, offering products and services beyond banking, developing personalized relationships with customers, offering customized pricing, and providing state-of-the-art digital platforms for customers to conveniently interact with the Bank.



Efficiency through Digitalization

A key focus of the strategy is to enhance digital maturity across the Bank to enable faster customer service, operational efficiency, and cost optimization. Digitalization covers all aspects of the Bank’s operations, including customer touch points (e.g., Riyadh Bank’s mobile application), customer journeys, and internal processes.







Enablement through Next Gen Operating Model

Successful implementation of the strategy will be supported by improvements across all enabler departments. This entails pioneering new ways of working (e.g., implementing Agile), upgrading existing systems (e.g., modernizing the Bank’s core IT infrastructure), and elevating the Bank’s culture.



Our Strategic Pillars

Our corporate strategy outlines 4 strategic pillars with clear targets to be achieved that will collectively make Riyadh Bank the best Bank in the Kingdom:

	Most Profitable 	Most Efficient 	Bank of Choice 	Most Innovative and Digitally Enabled 
Description	Highest Shareholder value created sustainably.	Highest return on spends and operational excellence.	Best Bank for customers, employees, and society.	Most innovative and digitally enabled bank.
Success Measurement Criteria	<ul style="list-style-type: none"> • Return on Equity (RoE). • Total Shareholder return. • Profit growth. 	<ul style="list-style-type: none"> • Cost-to-income ratio. 	<ul style="list-style-type: none"> • Net Promoter Score (NPS) of customer satisfaction. • Brand value. • People Index: <ul style="list-style-type: none"> - Employee engagement. - Employee satisfaction. - Talent measures. 	<ul style="list-style-type: none"> • Digital Maturity Index.
2023 Achievements	<ul style="list-style-type: none"> • RoE increased significantly mainly due to the improvement in net income. The main driver of the net income improvement was growth in net interest income, which was driven by the impact of re-pricing and volume of the loan portfolio growth. In contrast, there was an increase in operating expenses, due to our continuous investment in the Bank from both a talent acquisition and a technology perspective. 	<ul style="list-style-type: none"> • The higher positive growth in operating income compared to the lower growth in operating expenses has led to the overall improvement in the cost-to-income ratio. The overall net income was impacted by additional provisions required, which saw a significant growth year on year due to initiatives to improve our asset quality ratios. 	<ul style="list-style-type: none"> • The consumer NPS for customer satisfaction improved by 10% at year end. • Riyadh Bank's brand value in the Brand Finance Report increased significantly to SAR 7.73 Bn. by year end. • The People Index, comprised of several KPIs has had a significant impact on employee's engagement, satisfaction, and retention across their employment lifecycle. Each KPI had a defined target to be achieved by the end of 2023, which have successfully been achieved. 	<ul style="list-style-type: none"> • Several initiatives to enhance digital maturity on mobile banking for both corporate and retail customers, which has increased efficiency and security throughout the Bank's business units.
2024 Goals	<ul style="list-style-type: none"> • Improve RoE and profit growth to achieve 2025 aspirations. • Maintain Top 3 position among peers in total Shareholders return. 	<ul style="list-style-type: none"> • Improve cost-to-income ratio to achieve 2025 aspirations. • Enhance time efficiency to achieve 2025 targets among multiple products. 	<ul style="list-style-type: none"> • Increase NPS for retail and corporate consumers towards achieving 2025 aspirations. • Enhance brand value towards achieving 2025 aspirations. • Achieve People Index targets working towards 2025 aspirations to be the Bank of Choice. 	<ul style="list-style-type: none"> • Achieve higher digital maturity and digital sales by launching multiple digital platforms.
Principal Risks	<ul style="list-style-type: none"> • High interest rates leading to higher cost of funds. • Further slowdown in credit growth. • More shifts towards IBs. 	<ul style="list-style-type: none"> • Decreased customer engagement due to overly standardized processes that lack personalized interactions. 	<ul style="list-style-type: none"> • Competing with other banks for top talent might lead to difficulties in retaining skilled employees, affecting the Bank's ability to maintain a committed and talented workforce. 	<ul style="list-style-type: none"> • Delay in implementation or launch of the digital platforms. • Regulatory approvals on new products and channels.

Financial Results

Ensuring financial stability. Always with you.

Riyad Bank achieved SAR 8,046 Mn. as net profits for the 12-month period ending on 31 December, 2023, an increase of 15% over the same period of the previous year, which amounted to SAR 7,019 Mn. Considering the current economic changes and challenges, Riyad Bank continued to focus on the main banking activities and maintaining its financial position. Net loans and advances increased by 13%, amounting to SAR 274,398 Mn., compared to SAR 242,365 Mn. for the previous year. Customer deposits increased by 6% to SAR 254,908 Mn., compared to SAR 240,007 Mn. in 2022. Assets amounted to SAR 386,849 Mn., compared to SAR 359,653 Mn. for the previous year, with an increase of 8%.

Total operating income amounted to SAR 15,899 Mn. during the 12 months ending on 31 December, 2023, compared to SAR 13,599 Mn. for the same period in 2022, with an increase of 17%.

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 23% in net special commission income, which amounted to SAR 12,414 Mn. in 2023, compared to SAR 10,052 Mn. for the same period in 2022. Earnings per share increased to SAR 2.58 as compared to SAR 2.32 for the previous year.

The increase in Riyad Bank's net profits in 2023 is due to a 17% increase in total operating income, and a 23% increase in net special commission income as compared to the previous year.

Material Differences in Operating Results compared to the Previous Year*

Description (SAR Mn.)	2023	2022	Change	Change %
Net income after zakat	8,046	7,019	1,027	15%
Total operating income	15,899	13,599	2,300	17%
Net special commission income	12,414	10,052	2,362	23%
Earnings per share	2.58	2.32	0.26	11%
Total assets	386,849	359,653	27,196	8%
Net investments	58,109	52,196	5,913	11%
Net loans and advances	274,398	242,365	32,033	13%
Customer deposits	254,908	240,007	14,901	6%

*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

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

Description (SAR Mn.)	2023	2022	2021	2020	2019
Assets					
Cash and balances with banks, other financial institutions, and Saudi Central Bank	41,609	53,980	43,232	55,579	33,924
Loans and advances, net	274,398	242,365	217,290	191,347	173,982
Investments, net	58,109	52,196	58,637	56,450	53,361
Property, equipment, and other real estate	6,138	3,774	3,020	2,752	2,435
Other assets	6,595	7,338	3,556	3,961	2,086
Total assets	386,849	359,652	325,736	310,088	265,789
Liabilities					
Balances with banks	42,464	38,760	43,134	41,789	13,124
Customer deposits	254,908	240,007	211,678	203,039	194,518
Other liabilities	29,219	24,712	23,624	20,905	17,575
Total equity	60,258	56,173	47,300	44,355	40,571

*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.)	2023	2022	2021	2020	2019
Total operating income and Riyad Bank's net share in the associates' profits	15,911	13,519	11,535	11,224	10,870
Total operating expenses	6,940	5,690	4,817	5,740	4,638
Net income after zakat	8,046	7,019	6,025	4,715	5,602
Earnings per share (SAR)	2.58	2.32	2.01	1.57	1.87

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

Geographical Analysis of the Total Revenues of Riyad Bank and its Subsidiaries

The total revenues for the period ending on 31 December, 2023 amounted to SAR 13,717 Mn. from operations inside the Kingdom, and SAR 2,182 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	
2023	3,292	8,144	2,281	13,717

* The amount specified for the Central Region includes revenues from central investments related to the investment and treasury sector, amounting to SAR 4,316 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 (SAR Mn.):

Year	Outside the Kingdom of Saudi Arabia					Total Revenue from outside the Kingdom
	GCC Countries and the Middle East Region	Europe	North and Latin America	Southeast Asia	Other Regions	
2023	973	623	440	19	127	2,182

Dividends

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, relative to the number of shares held.

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

	(SAR'000s)
Retained earnings from 2022	7,500,430
Net profit after zakat for the year 2023	8,045,844
Total	15,546,274
To be allocated and distributed as follows:	
Cash dividends distributed to Shareholders for the first half of 2023	(1,947,226)
Cost of issuing first tranche Sukuk	(310,416)
Transferred to the statutory reserve	(2,011,461)
Retained earnings for the year 2023	11,277,171

Riyad Bank distributed profits to Shareholders on 7 August, 2023 for the first half at 65 Halalas per share. The balance of the profits proposed to be distributed to the Shareholders for the second half of the year, at 75 Halalas per share, will be distributed, if approved by the General Assembly, bringing the total distributions for the full year 2023 to SAR 4,193 Mn., at SAR 1.4 per share. This is equivalent to 14% of the nominal value of the shares, after deducting Zakat.

Bank's Credit Rating

Rating Agency	Long-term	Short-term	Future Outlook
Fitch	A-	F2	Stable
Standard & Poor's	A-	A-2	Stable
Moody's	A2	P-1	Positive

Finance and Debt Securities Issued

The Bank successfully raised a syndicated senior unsecured term facility amounting to USD 1.2 Bn. with a group of 11 international banks. This landmark inaugural financing for a period of 3 years was achieved on competitive terms, with a floating financing rate and margin of 85 basis points on the SOFR index. The deal proves Riyad Bank's abilities and strong standing in the financial market. It also supports the Bank's growth plan and the diversification of its funding base.

Riyad Bank also confirms the following:

- There are no debt instruments issued by the subsidiaries.
- There are no term loans due from subsidiaries with a local bank as at 31 December, 2023.
- The Bank did not issue or grant any convertible debt instruments, contractual securities, subscription rights notes, or similar rights during 2023.
- 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 2023.
- The Bank, and its subsidiaries, have 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

The Extraordinary General Assembly on 26 March, 2023, approved the employee stock incentive program, of which 5 Mn. shares will be repurchased as treasury shares and allocated to the employee stock incentive plan. The Bank completed the repurchase during the current period, and as of 31 December, 2023, the number of treasury shares held amounted to 5 Mn. shares.

Accounting Standards Followed

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 the by-laws of the Bank. These are audited by the external auditors of the Bank in accordance with the International Financial Reporting Standards and the 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 by Riyad Bank for the year 2023, except for what is mentioned in the descriptions below:

Description	SAR'000s	
	Paid	Due
Zakat – Tax and Customs Authority (ZATCA) (regarding the fiscal year 2023)*		924,955
Taxes borne by Riyad Bank on behalf of some non-resident entities (according to the terms of the contract)	32,652	-
Taxes owed to Riyad Bank foreign branches in favor of official authorities outside the Kingdom	38,000	-
GOSI	125,947	-
Visa and passport costs	4,488	-
Any other regular payments**	9,878	-

* Zakat will be paid for the year 2023, no later than 30 April, 2024.

** 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, fourth, and final installments were paid in 2019, 2020, 2021, 2022, and 2023, 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 2023		Fiscal Year 2022	
	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	29	19,688,595	31	16,348,060
Violation of the Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing	0	0	2	400,000
Violation of the Central Bank's instructions for customer protection	0	0	3	4,124,040
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	0	0	6	115,000

The statutory violations and penalties imposed by the supervisory, regulatory, or other judicial authorities in 2023:

Authority	Classification of the Violation	Number of Fines	Total Amount of Fines (SAR)
Secretariats and other government agencies	Fines for ATM plates, site licenses, and other fines	85	20,673

Transactions with Related Parties

The following statement shows the balances resulting from related party transactions as on 31 December, 2023, 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	5,759,033
Customer deposits	18,665,287
Derivatives (at fair value)	(1,843)
Commitments and contingencies	10,137,888
Special commission income	348,421
Special commission expenses	1,285,554
Fee and commission income, net	305,921
Miscellaneous operating expenses	435,498

Riyad Bank achieved
net profits of
SAR 8,046 Mn.

Transactions with related parties include a set of business contracts that are carried out for the account of Riyadh 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 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
Supplying the stationery to the Bank's various departments and branches.	Member of the Board of Directors, Mr. Abdul Rahman Ismail Tarabzouni, is a member of the Board of Directors of the Company.	Jarir Marketing Company	22.01.2024	1,500,000
Renting the headquarters of the Sixtieth Street Branch 286 for exhibition 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
Contract to provide 300 SIM cards.	Mr. Moataz bin Qusai Al-Azzawi is a member of the Board of Directors of the Company.	Etihad Etisalat Company - Mobily	31.03.2023	489,600
Contract to provide connectivity services for the General Administration building - Granada.	Mr. Moataz bin Qusai Al-Azzawi is a member of the Board of Directors of the Company.	Etihad Etisalat Company - Mobily	17.02.2024	447,888
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	20.07.2025	400,000
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	14.08.2024	360,000
SAMA Joint Network (SJN) connectivity renewal + upgrade.	Mr. Moataz bin Qusai Al-Azzawi is a 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-Issa, is Chairman of the Board of Directors of the Company.	Dur Hospitality Company	22.11.2025	30,000
Renting an ATM site at Umm Al-Qura Makarim Hotel - Makkah Al-Mukarramah.	Mr. Muhammad Ibrahim Al-Issa is the father of the Chairman of the Board of Directors of the Bank, Eng. Abdullah Muhammad Al-Issa.	Mohammed Ibrahim Al-Issa and Sons Co	20.02.2021	18,000

Disclosure of Small, Medium, and Micro Enterprises Data

1- Qualitative Disclosure:

The approved definition of small, medium, and micro enterprises:

Micro, Small, and Medium Enterprises are classified according to the definitions of the Saudi Central Bank, which is based on criteria such as annual turnover and number of employees.

Initiatives taken by Riyadh Bank to support these facilities, in addition to the number of employees, training initiatives, and workshops provided to customers and employees for the year 2023:

2023	Borrowing	Non-Borrowing
Sector they belong to	Corporate Banking	Retail Banking
Their administration	MSMEs	MSMEs
Number of employees serving the segment	275	12
Number of employees who have been given training courses	177	
Number of training days provided to employees	290	
Number of clients who have been given training courses	21,051	
Number of workshops provided to clients	15,239	
Number of training days provided to clients	291	
Number of centers or branches where the segment provides its services to clients	44	All branches of Riyadh Bank in all regions of the Kingdom

Awards obtained by the Bank in the Micro, SMEs sector during the year 2023:

- The "Finance Guarantee Program for SMEs (Kafala)" announced that Riyadh Bank ranked first in 2023 in terms of the value of financing, guarantees, and the number of beneficiary enterprises we support as well as for financing Tourism and Technology sectors.
- The "Finance Guarantee Program for SMEs (Kafala)" reported that Riyadh Bank ranked first in 2023 in terms of the value of financing and guarantees given, and for the number of beneficiary enterprises we have supported for the seventh year in a row.

Initiatives taken by Riyad Bank to support these enterprises:

1. Product offering and development:

- Launched an initiative, to the value of USD 1 Bn., to finance telecommunications and information technology enterprises during LEAP Tech Conference in Saudi Arabia 2024.
- Conducted a comprehensive review of all our existing products, which involved a thorough analysis of their performance and some enhancements, to optimize them further.

2. Programs and agreements:

Signed partnership agreements with several entities to offer benefits that better serve SMEs, including the following:

- Riyadh Municipality
- National Technology Development Program
- MSMEs Bank
- Alsharria Young Businessmen Counsel
- Saudi Bar Association
- Monshaat – Tomoh - to support financing start-up MSMEs
- Royal Institute of Traditional Arts

3. Opening of new centers:

- Opening dedicated centers for SMEs can play a crucial role in supporting the growth and success of SMEs by providing specialized financial services, fostering relationships, and contributing to local economic development.
- The inauguration of the Riyad Bank Center for SMEs in Riyadh in 2023, in the presence and patronage of the Minister of Commerce and Chairman of the Board of Directors of the SMEs General Authority, Dr. Majid bin Abdullah Al-Qasabi.
- Riyad Bank launched a new standalone center in Al Khobar in 2023.

4. Sponsorships and participation in exhibitions:

- Participated in the Municipal Investment Forum "Foras".
- Participated in the Seamless Saudi Arabia 2023 Conference in Riyadh, where local and international tech companies and tech start-ups were expected to attend.
- Sponsored RAD Forum and Exhibition for Entrepreneurship as the banking partner, organized by the Youth Council in the Eastern Chamber of the Eastern Province.
- Main sponsor of Al-Ahsa Forum for start-ups organized by the Ahsa Chamber.
- Participated in the Tourism Development Fund that organizes a "Discover Asir Remote".
- Conducted collaborative financial awareness workshops with the Ahsa Chamber.
- Sponsored JAZAN Investment Forum as the diamond partner.
- Participated in the Misk Entrepreneurship Event Elevate.
- Conducted several financial awareness sessions with our partners such as the Chamber of Commerce in Al Madinah, Saudi Bar Association, and Monshaat.



**Riyad Bank initiated a
USD 1 Bn.
financing program for telecom and
IT enterprises during LEAP23**

2- Quantitative disclosure:

2023	SAR'000s			
	Micro	Small	Medium	Total
Financing for small and medium enterprises – on-balance sheet items	4,980,980	13,518,456	23,164,342	41,663,778
Financing for small and medium enterprises - off-balance sheet items (nominal value)	886,100	3,933,418	10,612,649	15,432,167
On-balance sheet financing for small and medium-sized enterprises as a percentage of total on-balance sheet financing	1.8%	4.8%	8.3%	14.9%
Off-balance sheet financing for small and medium-sized enterprises as a percentage of total off-balance sheet financing	0.3%	1.4%	3.8%	5.5%
Total secured financing from the "Kafala" program (on and off- balance sheet)	222,553	3,985,665	4,420,819	8,629,037

2022	SAR'000s			
	Micro	Small	Medium	Total
Off-balance sheet financing for small and medium-sized enterprises as a percentage of total off-balance sheet financing	3,992,919	10,055,980	20,782,824	34,831,723
Financing for small and medium enterprises - off-balance sheet items (Nominal Value)	1,087,945	3,470,137	8,887,803	13,445,885
On-balance sheet financing for small and medium-sized enterprises as a percentage of total on-balance sheet financing	1.6%	4.1%	8.4%	14.1%
Off-balance sheet financing for small and medium-sized enterprises as a percentage of total off-balance sheet financing	0.4%	1.4%	3.6%	5.4%
Total secured financing from the "Kafala" program (on and off- balance sheet)	263,140	3,661,710	3,657,471	7,582,321

Market Overview

Navigating the challenges of the global economy. Always with you.

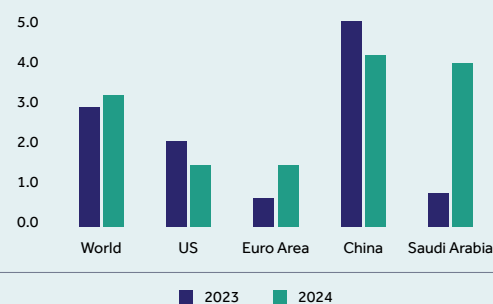
The Saudi banking sector maintained a positive trajectory in the Kingdom during 2023, despite a range of significant headwinds affecting the global markets, supported by strong economic growth in non-oil GDP and accelerating progress towards the goals of Saudi Vision 2030.

A Challenging Global Economy

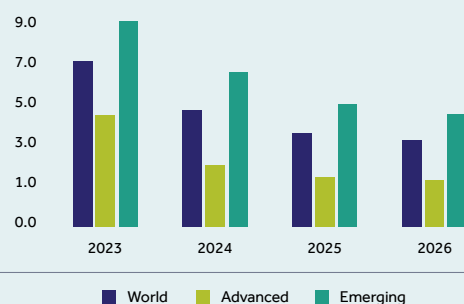
The resilience that world economic activity displayed earlier this year is anticipated to fade. Global growth is projected to slow down from 3.5% to 2.8% in 2023, according to the latest forecast by the International Monetary Fund (IMF), with a predominantly marked deceleration in advanced economies. The slowdown in growth is explained by the effects of past monetary tightening, more restrictive credit conditions, and softer labor markets. The drag on growth from the ongoing monetary tightening to restore price stability is expected to have peaked in 2023 in many major economies. In 2024, global growth is projected at 3.2%. This is modestly higher than predicted in July 2023 by the IMF, but it remains weak by historical standards.

Inflation remains above target in almost all inflation-targeting economies. Global headline inflation is expected to fall from 8.7% in 2022 to 6.9% in 2023, and to 5.8% in 2024. Following the build-up of gas inventories in Europe and weaker-than-expected demand in China, energy and food prices have dropped from their 2022 peaks, although they have dropped less than what was anticipated. Together with the normalization of supply chains, these developments have contributed to a rapid decline in headline inflation in most countries. Core inflation, however, has on average gradually declined further but remains well above most central banks' targets.

Global GDP Growth Expectations



Inflation Rates Expectations



Spill-over effects 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 financial conditions have tightened due to ongoing interest rate hikes. Many banks experienced substantial unrealized losses in 2023 due to the sharp rise in policy interest rates.

Concerns about the balance sheets of some banks led to depositor flight and market volatility in the United States and Europe earlier in the year, which stemmed from a rapid and extensive policy response. Financial markets remain sensitive to evolving expectations about the future path of interest rates of major central banks. However, spill-over effects from banking turmoil in advanced economies to emerging markets have so far been limited.

The global economic expansion continued to decelerate at the end of the year. This was driven by the global new orders which shrank for the first time since January and backlogs of work fell sharply, signaling further weakness in the coming months. The goods producing sector remained the weaker performer between manufacturing and services. Better supply conditions supported producers in clearing their backlogged work, but a lack of new orders meant that overall production continued to

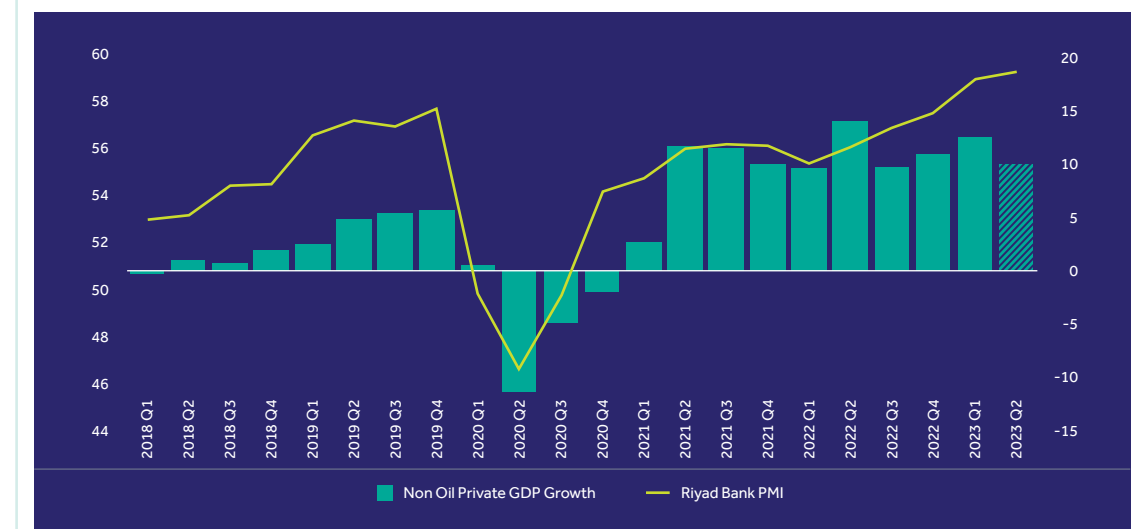
deteriorate. Moreover, weakness in global trade coupled with ongoing inventory reduction policies persisted as key drags on factory output, offering little reprieve for the manufacturing sector in the near-term.

Continued Growth for Saudi Arabia

Saudi Arabia's non-oil economy is still projected to play a major role in pushing growth forward this year, as the Government continues to implement diversification policies with the aim of boosting the private sector, which is the engine for job creation in the Kingdom. For 2023, our projection for real GDP stands at 0.7%, with non-oil activities increasing by almost 5% on the back of continued strong investment growth.

Headline consumer price index inflation remains moderately low and is expected to average at 2.5% for 2023. Inflation is still influenced by the main drivers of rising service costs and housing rents.

The Riyadh Bank Purchasing Managers' Index, an indicator of economic health for the non-oil private economy, displayed a strong rise in new business throughout 2023, supported by a marked expansion in activity. This led to the greatest improvement in job numbers in the Kingdom in 9 years. Stronger labor market conditions underlined a faster increase in wages, adding to input cost pressures as purchase price inflation also accelerated.



On the fiscal side, the Government reported a deficit of SAR -35.77 Bn. in the third quarter of 2023 as it increased spending by almost 2% year on year. In addition, non-oil revenue increased by 53% to reach SAR 111.5 Bn., as compared to SAR 72.8 Bn. recorded in the same period last year. Oil revenues stood at SAR 147 Bn., reflecting a 36% drop compared to the corresponding period in 2022. In 2024, the Saudi Arabian Ministry of Finance is expected to spend more than SAR 1.26 Tn. and generate a deficit of SAR 82 Bn. by the end of the year.

A Resilient Saudi Banking Sector

Monetary policy in Saudi Arabia is anchored by the SAR's peg to the US Dollar. The peg, which has been in place for 3 decades, provides credibility to the monetary policy as well as stability to trade, income flows, and financial assets. On the other hand, the peg means that Saudi Arabia has limited flexibility in the monetary policy, as short-term policy interest rates closely follow those of the United States. In 2023, the United States Federal Reserve, which controls the overnight interest rate in the United States, increased its policy rate 4 times in an attempt to rein in inflation.

Saudi banking sector resilient in 2023, aligning with United States Federal Reserve. Strong domestic growth maintains positive money supply, though composition shifts toward time and savings deposits.

The Saudi Central Bank, SAMA, followed the Federal Reserve's movement and adjusted its policy rates 4 times as well, which resulted in a significant increase in the interbank rate. Given that Saudi banks have a high share of non-interest-bearing deposits, increases in the interbank rates impacted banking profits positively. While increasing interest rates usually deters some borrowing, this was not the case in 2023, as the high growth that Saudi Arabia witnessed overshadowed any deterioration in the short-term.

Typically, there is an inverse relationship between interest rates and money supply, meaning an increase in the interest rates should negatively impact money supply. With the increase in government spending and solid domestic growth, however, money supply maintained its positive trajectory in the Kingdom.

The composition of money supply did shift, however, with time and savings deposits increasing at the expense of demand deposits. Demand deposits, which constitute half of total deposits in the banking system, displayed multiple contractions. However, the broad money supply (M3) continued to record positive growth, between 9% and 10%. This was driven by interest-bearing deposits increasing by more than 45% in 2023.



Saudi Arabia's non-oil economy projected to grow in 2023, driven by government diversification policies and strong private sector investment, with real GDP expected at 0.7% and non-oil activities increasing by nearly 5%.

Digital Banking and Innovation

Driving digital innovation. Always with you.

In 2023, Riyadh Bank continued to drive innovation for sustainable success, further solidifying itself as a market leader and truly digital bank. As we continue to expand our use of cutting-edge technologies, such as open banking and artificial intelligence (AI), we are well positioned to meet the evolving needs of both retail and corporate clients in the digital age.

Our digital transformation and innovation activities this year were rich and comprehensive, demonstrated by an increase in our Digital Maturity Index score, despite facing new controls and restrictions to mitigate fraud and risk. Highlights included adopting the Microsoft Power BI platform as an enterprise solution for Bank dashboards and implementing the Medallia customer experience management platform.

The Digital Innovation Center, known as Jeel, took full flight this year, producing a range of minimally viable products, applications, and process improvements. Riyadh Bank also soft launched the internal Molhem Innovation platform along with its first challenge campaign across the entire Bank focusing on CSR initiatives. So far, more than 400 employees have joined the platform as members and generated 85 viable ideas currently undergoing evaluation.

Our innovation efforts were recognized with a number of prestigious awards. The MEA Finance Banking Technology Summit and Awards 2023 named Riyadh Bank "The Most Digitally Innovative Bank." In addition, both the Kingdom's Public Investment Fund and Informatica awarded the Bank for "Best Data Implementation."



+400

**employees joined Molhem
Innovation program**

The Digital Innovation Center "Jeel"

The formal opening of the Digital Innovation Center this year proved to be fruitful immediately, with the rapid experimentation and scaling of innovative digital products, solutions, and business models. Through its Digital Lab, Digital Factory, Digital Studio, and Digital Research, Jeel covers all areas of digital transformation and innovation at Riyadh Bank. It supports the Bank in launching new digital platforms, promoting integration with digital partners, channel investments and support for fintech, and develops digital entrepreneurship capabilities locally.

The Center produced an abundance of outcomes in 2023. Solutions passing the minimum viable product phase included an end-to-end digital platform for micro, small, and medium enterprises, usability enhancements to the Relationship Management Workbench, and an end-to-end digital solution that enables Riyadh Bank's customers to enjoy an extraordinary digital home buying experience.

Through Jeel, we also executed the application phase for the Digital Insight Application Phase I, a mobile platform for sharing exclusive finance and technology content. We accelerated the Riyadh Bank/Strategic Initiative Committee change request process, moving all internal changes for Strategic Initiative Committee projects under digital custody to improve the change process base. Internally, we enhanced Jeel's agile delivery to ensure smooth transitions for processes. Finally, toggle management enabled us to implement new features without dependencies on clients' backend changes.

The Center of Intelligence

Riyad Bank stayed on top of global developments in AI this year through the 2023 launch of its Center of Intelligence (COI). The establishment of the COI signals our emphasis on leveraging AI technologies at the Bank, with a priority on conversational AI. Conversational AI technologies enable natural language processing and understanding, allowing customers to interact with the Bank through voice or text-based interfaces. Employing this technology will lead to faster response times, improving self-service capabilities, and enhancing customer satisfaction.

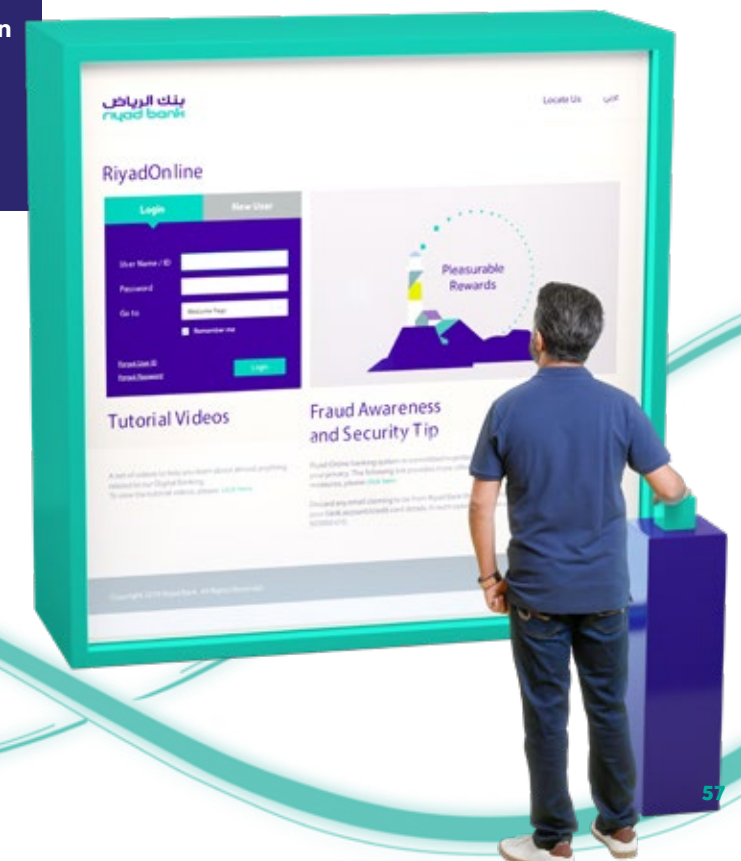
Open Banking and BaaS

Throughout this year, we have successfully implemented a culture of innovation and created new value propositions through our open banking and Banking-as-a-Service (BaaS) model. By facilitating secure and seamless data sharing between businesses and their financial service providers, open banking transforms how we work, making it more efficient and effective. This has resulted in enhanced decision-making capabilities that have helped streamline processes across the board.

In 2023, we reached a significant milestone by receiving official certifications to offer open banking services under the regulatory framework issued by the Central Bank of Saudi Arabia, which we officially announced through Riyadh Bank's social media accounts. This will allow us to provide various open banking services to individual customers. This achievement is part of our strategy to focus on meeting the expectations of our customers.

Riyad Bank has introduced a secure and user-friendly data-sharing framework that allows individuals to control their financial information. This service lets Riyadh Bank's customers manage their account data by agreeing to share it with open banking providers through Riyadh Online and Riyadh Mobile. The Bank has partnered with 7 open banking providers, including Malaa, Sanam, Lean Technologies, Drahim, Spare Arabian, Tarabut Gateway, and SingleView Company. This means more financial options and services are now available to Riyadh Bank's customers.

The Digital Innovation Center "Jeel" at Riyadh Bank drives rapid experimentation and scaling of digital products and solutions, supporting digital transformation and developing digital entrepreneurship capabilities locally.



Riyad Bank has launched an official open banking page on its website to complement its efforts. The page offers its customers information about the open banking services and benefits provided by Riyad Bank. It also displays the approved authorities of the Central Bank of Saudi Arabia and a list of frequently asked questions. In addition, Riyad Bank is actively raising community awareness by publishing several leaflets highlighting the services, features, and security of open banking in the Kingdom of Saudi Arabia.

Driven by our commitment to innovation, Riyad Bank is now finalizing the extension of our open banking benefits to corporate clients. This expansion will provide a wide range of benefits for businesses of all sizes and further enhance Riyad Bank's position as a leader in the digital banking landscape.

New Products and Technologies

Riyad Bank's enabling ecosystem and culture of innovation fostered a plethora of new products, processes, and technologies. Digital Banking engaged with the new Al Fursan and Al-Hilal credit cards, designing the products, and providing data management support. The Bank also upgraded the Token youth mobile banking platform, facilitating parents to assign activities to their children through the app. We are also preparing to launch an application programming interface (API) marketplace and developer portal to further enable fintech's and other entities to leverage open banking, BaaS, and other API-based services.

The implementation of the Microsoft Power BI platform as an enterprise dashboards solution improved the Bank's performance by providing faster and accurate data visualizations and analytics. This allowed Riyad Bank's Management to make informed decisions based on up-to-date information, leading to more efficient operations, better financial management, and improved strategic planning.

Riyad Bank also mastered and upgraded a wide range of technologies this year, covering the areas of data governance, enterprise data catalogue, data privacy, data masking, data virtualization, and data quality.

Fostering Fintech's

Our synergistic relationship with fintech's continued this year, as we provided support and funding for the region's most promising technology start-ups. In 2023, we announced the support by launching Malaa Technologies, an open banking service that will allow our customers to benefit from their personal finance management solution. Importantly, Riyad Bank was also honored by His Excellency Mohammed Bin Abdullah El-Kuwaiz, Chairman of the Board of the Capital Market Authority, for our sponsorship of and successful partnership in the Financial Academy's Fintech Bootcamp.

This year saw the completion of our fifth cohort of the Riyad Bank Open Innovation program, known as WSL. The program is 8 weeks of intensive training coupled with a platform that offers entrepreneurs and innovators an experimental environment to create programs and applications that simulate data banking connectivity tools. In total, WSL has graduated 66 fintech's and now maintains a global reach with participants from more than 9 countries, including Saudi Arabia, Egypt, France, Russia, and the United Kingdom.

Riyad Bank's culture of innovation led to the development of new products and technologies, such as credit cards and mobile banking upgrades, alongside plans for an API marketplace, enhancing data analytics and technology across various areas.



The Bank has partnered with 7 open banking providers

Looking Forward

2024 will be expansive for Riyad Bank from a technology perspective, as we live up to our reputation of being a truly innovative digital bank. Through our Venture Builder program, we have established the 1957 Ventures Fund along with its special-purpose vehicle (SPV). Furthermore, we are in the process of establishing the venture builder "1957 Ventures" and in the preparation stages of incorporating the first 3 portfolio companies (ventures). Other important activities include upgrading our current big data platform and strategy, implementing requirements from the National Data Management Office, and activating and upscaling our data management platform.

This year will see Riyad Bank's expanded use of analytics and AI use cases through the COI. We will identify areas where advanced analytics and AI will drive value generation and cost reduction. By leveraging the COI's capabilities, we will focus on implementing innovative solutions across the Bank.

Another priority of the COI will be to further increase engagement across the business and with our Stakeholders. This will involve collaborating with different departments, business units, and external partners to identify opportunities for utilizing the COI's capabilities. By fostering strong partnerships and alignment across the organization, Riyad Bank will drive the adoption and implementation of digital initiatives more effectively.

Riyad Bank will also continue its branding, promotion, and communication efforts for the COI. By raising awareness and showcasing the COI's capabilities, the Bank will position itself as a leader in advanced analytics and AI within the Middle East. This will attract talent, foster partnerships, and enhance Riyad Bank's overall reputation in the digital banking and innovation space.

Building on the successful implementation of the Microsoft Power BI platform and the initial set of comprehensive dashboards, we will further expand dashboard coverage in 2024. We will develop additional dashboards to cover more areas of the Bank, providing faster and more accurate insights and analytics to various Stakeholders, including senior Management as well as multiple departments and business units.

By taking another step towards achievement, Riyad Bank will continue to develop and implement more open banking services in 2024, most notably Payment Initiation Services (PIS), which will enable payment services through open banking to all Riyad Bank customers, a new service of its kind across the Kingdom of Saudi Arabia. In addition, the Bank is working continuously to implement a billing system through which revenues will be created for open banking services for payments.

Corporate Innovation in Action: Molhem Innovation Program

Riyad Bank's Molhem Innovation program held its third bootcamp over a period of 2 weeks. The intensive 2-week program was once again designed to extract ideas and turn them into prototyped solutions for the market, in order to give Riyad Bank a competitive edge.

With the participation of 68 Bank employees from different departments, 10 teams were formed to work on creative validated solutions, which are relevant to the market and supportive of Riyad Bank's strategic progress.

The teams were supported by over 30 mentors from 15 different divisions across the Bank, who shared expertise and helped to co-create innovative solutions. Based on qualitative research by the participants, they discovered a new way of thinking and problem solving.

Customer Experience and Communication

Delivering better banking. Always with you.

At Riyad Bank, our customers have always been at the heart of everything we do. This year, we continued to build relationships based on trust and loyalty, surpassing customer expectations with game-changing innovation and technology.

In 2023, the role of customer experience became even more intensified in driving all 4 pillars of our transformation strategy: most profitable, efficiency, digitalization and innovation, and Bank of Choice for customers and employees.

Furthermore, we met and exceeded our key performance indicators for customer experience. We have grown the Retail Banking net promoter score (NPS) by 10% year on year and increased the Corporate Banking NPS by 9%.

We improved our brand equity by 2.5 points, from 12.1 points in 2022 to 14.6 points by 2023. In addition, our brand value improved by 17% as of 2023 compared to last year, demonstrating the growing equity with our customers.

Throughout the year, we focused on developing and expanding our brand exposure, increasing awareness, and enhancing overall brand value through successful partnerships. Our sponsorship of Al-Hilal Club, for example, brought us closer to our customers and stood out as the first-of-its-kind partnership in the banking sector.

DIGITAL TRANSFORMATION

This year, the Bank's customer experience story centered around our commitment to digitalization and leveraging technology to enhance our brand, engage customers, and continue providing exceptional service. Additionally, we dedicated efforts to strengthen communication channels, ensuring clear and effective interactions with customers and employees.

Streamlining Our Platforms

Through our online platforms, we offered our customers convenient and secure access to their accounts from anywhere, at any time, with additional and enhanced features. This enables users to perform transactions, manage their finances, and access various banking services with ease.

We have also leveraged mobile apps and social media channels to interact with customers on a deeper level. These channels enable us to provide updates to promptly address customer queries and concerns. This level of engagement fosters stronger customer relationships and ensures their satisfaction throughout their banking journey.

This year, we worked to create a consistent user experience across all digital channels and to unify our design system. This involved streamlining design components and ensuring their seamless integration across various platforms.

Additionally, we created multiple layouts that prioritized intuitive, user-friendly designs. We also developed digital channels with a Saudi National Day theme to engage users. Moreover, we created responsive email notifications that were compatible with users' mobile devices.

Employing Cutting-Edge Technologies

In 2023, we took remarkable strides towards transforming Riyad Bank into a fully digital bank by introducing Metaverse services to provide customers with new and immersive digital experiences. Riyad Bank's Metaverse presence will help the Bank to create an awareness about its

Riyad Bank's brand equity increased by

14.6 points

position against fraud activities and provides a communication channel to the Bank from the virtual worlds. In addition, to promote the Bank's products and services, Metaverse will promote the Bank's brand in virtual worlds.

We are also employing data analytics, along with a range of other digital technologies, to run our Voice of the Customer program, which addresses customer comments and feedback. The program offers insights on customer's experiences, behavior, preferences, and needs, allowing us to provide tailored solutions and recommendations to enhance their overall banking experience.

Elevating the Customer Journey

In 2023, we significantly transformed the customer's experience by adopting innovative and creative thinking to solve problems and improve the customer journey. During Customer Experience Week, which is aligned with World Customer Experience Day, we conducted Enlightening Decision Jam workshops in Riyadh, Jeddah, and Dammam to solve key issues faced by our customers.

This year, we also digitalized the customer journey for opening an account, and elevated other journeys. These included ATM money transfers and bill payments, employee recruitment and onboarding, and employee performance management. Furthermore, we conducted 4 design thinking workshops to enhance ATM transaction journeys, as well as employee recruitment, onboarding, performance, and recognition.

Upgrading and Supporting Bank Processes

In 2023, we achieved ISO 10004:2018 certification for our Customer Experience Department, demonstrating our commitment to upholding the highest standards for monitoring and measuring customer experience practices.

The Department conducted numerous research studies for other divisions. These studies focused on customer experience, benchmarking, and employee experience. To better understand customer experience and benchmarking, the Department conducted studies on various banking experiences,

Riyad Bank achieved

ISO 10004:2018 certification

such as retail banking, diamond banking, private banking, corporate point-of-sales, corporate priority transactions, MSMEs online, and branch account opening journeys, corporate experiences, brand equity measurement, brand value, retail digital multi-channel benchmarking, SME-corporate digital benchmarking, sales effectiveness benchmarking, competitive market intelligence, NPS benchmarking, and retail and corporate digital maturity.

The Department also conducted employee experience studies for the Human Capital Division, including recruitment and onboarding experiences, high performer preferences for development paths, and career counsellors' experience.

In addition, we conducted training for our Quick Service Officers (QSOs) to improve customer experience at our branches and enhance their overall performance. The Department also provided comprehensive support across the Bank, successfully completing over 50 business requirement documents and change requests.

FOCUS FOR 2024

In the year ahead, we will continue to elevate the customer experience, helping us to attain and retain clients, while minimizing the cost of problems and complaints. We will also continue to seek perfection while enhancing the customer journey for a wide range of products, services, and channels. Our aim is to reduce the error rate for all retail products and services, embedding a "right things right, first time" culture into the Bank.

On the digital front, we will implement the Medallia XM platform that will enable us to conduct real-time customer surveys, prepare customized live dashboards, perform automated text analytics, and use multiple channels such as push notifications and WhatsApp messages for sending surveys.

In addition, we will launch the customer experience benchmarking platform NPS Prism to compare Riyad Bank's performance to its competitors. This will cover overall bank performance, channel performance, product performance, and moments of truth, as well as the impact of strategic changes on customer satisfaction.

Operating Review

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Riyad Bank thrived in Retail and Corporate banking, Treasury and Investments, and Subsidiaries, showcasing resilience, innovation, and strategic growth initiatives.

Retail Banking

Enhancing customer experience. Always with you.

In 2023, Retail Banking shone in the face of a challenging business environment characterized by unprecedented high interest rates. The Division overcame suppressed credit growth and stressed margins to increase its deposit base and achieve double-digit growth in consumer loans.

Retail Banking Highlights

Net income

SAR 614 Mn.

Customer's base increased by

10%

ATM's NPS improved by

32%

Retail Banking stepped up as an even stronger contributor to Riyad Bank's bottom line this year, contributing to 35% of the Bank's overall net loans and advances.

The Division continued to grow its assets and liabilities significantly, responding to a market shift from NIBs to savings and term deposits. Retail liabilities registered a growth of 9% by December 2023 year on year, while consumer lending grew by 5% year on year. Mortgage lending was the Division's prime product again with 11% growth in 2023. Overall, Retail Banking increased its customer base by 10% year on year by December 2023.

Improvements in customer service were significant, with improvements across the board in customer net promoter scores (NPS). The Call Center's NPS increased to 26% in 2023. Branches' NPS increased by 1%, while the ATM NPS climbed by 32%. The overall Retail Banking NPS grew by 10% since 2022.

All of Retail Banking's successes this year were backed by its exceptional human capital. The Division remained the largest segment of the Bank in terms of Staff, securing 75% in the employee engagement index and 73% in the employee satisfaction index in 2023.

Strategic Transformation

Retail Banking continued its strategic direction in line with the Bank's Transformation 2025 Strategy. The Division remained focused on digitalization and being the top choice retail bank for customers in the Kingdom, with the goal of sustainable customer acquisition and increased liability generation. Retail Banking also continued rolling out the Bank's new identity, strengthening and improving its image with the iconic Riyad Bank logo and upgraded branch exteriors and interiors.

Digitalization and Innovation

Digitalization served as the core foundation of all strategic initiatives for Retail Banking to attain its competitive edge, maximize customer value, and further grow liability and assets market share. Efforts put forth since the launch of the Transformation 2025 Strategy paid off this year with Retail Banking achieving a digital penetration rate of 53% as of December 2023.

On the digital front, we launched Phase 1 of the new Riyad Bank Mobile app internally in December and it will be introduced to customers in 2024. The new app will include the full sales journey for consumer products, provide a marketplace offering versatile products and service, offer a personal financial management tool for customers, and provide after-sales services to support customers and enhance customer loyalty. This comprehensive and strengthened offering will bring Riyad Bank closer to its ambition of offering the best mobile banking experience in the Kingdom.

This year, we also enabled a web-based solution for existing and external customers to apply digitally for Riyad Bank's Al Hilal credit cards. Other innovative products launched this year included Fursan credit card, with infinite and signature variants to strengthen the Bank's travel propositions.

Retail Banking also enabled digital account opening for micro, small, and medium enterprises (MSMEs) in early 2023, with more digital propositions underway for this segment. Furthermore, we introduced digital safety deposit lockers for private and affluent banking, offering customers a unique experience for keeping their valuables safe.



The overall Retail Banking NPS grew by

10%

Prior to 2023, Riyad Bank launched the Kingdom's first standalone banking mobile app for children "Token", and in early 2023 Riyad Bank commercially launched Bouki digital wallet that offers transfer and services. This year also saw the commercial launch of the Bancassurance business, which enables Riyad Bank to sell insurance products through Riyad Bank's channels.

Retail Banking neared completion of several flagship projects including Phase 1 of Riyad Bank's disruptive digital solution for home purchases. For homeowners, we also collaborated with the Real Estate Development Fund (REDF) to introduce new mortgage product variants that promote REDF's new subsidy program.

Retail Banking accelerated in-branch digitization. This included establishing 100 self-service kiosks for customers to print their debit and credit cards, access account statements, and update their personal information. During 2023, we deployed mobile customer relationship management services for our Relationship Managers, Quick Service Officers, and auto leasing and direct sales agents. Furthermore, we executed our paperless project, covering personal loan and auto lease products, account opening, customer information amendments, account statements, and debit card services. At the end of 2023, we also reached the pilot phase for paperless transitions of credit card and mortgage loan products.

Transformative Partnerships

The Division initiated several strategic partnerships throughout the year. Riyad Bank teamed up with the national home-owning organization Sakani, and national real estate developer Roshn, to offer a diversified homebuying solution, enrolling more than 200 developers to develop and construct residential units across the Kingdom such as in Roshen and Sedra. We also signed a strategic partnership with Al Hilal Saudi Football Club, launching the co-branded credit card as well as a branch in Al Hilal's club premises. Moreover, Riyad Bank signed a Memorandum of Understanding with Savvy Gaming Group to further capitalize on the partnership with Al Hilal.

Supporting the Goals of Vision 2030

Retail Banking's strategic pillars have been carefully crafted and aligned with several key pillars of Saudi Vision 2030. As one of the leading banks in the Kingdom, we are at the forefront of the digital revolution and payment innovation, with our comprehensive suite of products, including Riyad Bank's digital wallet "Bouki". We are helping families in Saudi Arabia to increase their household savings rate, especially with our tailored Islamic savings accounts. We are also promoting financial literacy with diversified financial planning and insurance products including Token and Bancassurance business line.

Our partnership with REDF is playing a pivotal role in increasing home ownership among Saudi citizens, as part of Vision 2030. In addition to our new digital solution for home purchases, we continue to offer diversified product variants, including self-construction, buyout, off-plan, and land plus loan and mortgage refinance.

Increasing the contribution of MSMEs and the private sector to the Kingdom's GDP is also our priority. Following the launch of digital account opening for start-ups, we continue to sharpen our propositions for this evolving segment, with an eye on addressing multiple business segments and connecting a range of ecosystem players.

Private and Affluent Banking

This year, Private Banking and its highly qualified Relationship Managers served high-net-worth individuals at its dedicated centers in Riyadh, Jeddah, and Al Khobar. This resulted in a 23% increase in customers compared to 2022. Total Private Banking deposits grew by 16% in December 2023, and total relationship value increased by 1% in December 2023.

Affluent Banking operated from 39 dedicated Diamond Banking centers and 144 Golden Banking offices across the Kingdom, with a specific focus on growing NIBs. Total Affluent Banking deposits increased by 5%.

Looking Forward to 2024

The year ahead is expected to remain highly competitive for Retail Banking, particularly along the digitalization front with new market entrants including fintech's. The Division will continue to invest and enhance its technological infrastructure and digital sales, services, and payment offerings to meet and exceed increasingly sophisticated customer expectations.

The new version of Riyad Mobile will further strengthen our digital offerings and bring us closer to providing the best mobile banking app in the Gulf region. We will also enhance and expand the Bouki digital wallet proposition to include remittances and diversify its revenue stream. This year will see a major re-platforming of our digital channels, Riyad Online and Public Website, with highly flexible, cutting-edge technologies that will improve turnaround time for product and service launches.

In 2024, we will continue to develop exciting new digital business models. For Affluent Banking, we will launch a fully digital proposition integrating family banking, digital wealth management, and customized product offerings. We will strengthen our family and youth value proposition via the Token platform with new add-on products and features, as well as a junior loyalty program. Furthermore, we will strengthen our digital platform for MSMEs, while offering business management solutions as well as integration with regulatory players in the ecosystem.

We will take the Al Hilal partnership to the next level in the year ahead with enhanced propositions, including a membership program and loyalty offerings. Our credit card offerings will expand to include the multi-currency card, Al Hilal card, and Dream card. We will also introduce new propositions for the Hassad+ loyalty program.

In addition to rolling out our new branch identity, we will continue to optimize and modernize our branch network. We will expand with new branches while relocating existing low-performing branches. Private Banking centers will expand their footprint, with new presence in major cities such as Qassim and Madinah. Universal bankers will become more preeminent as we integrate the roles of tellers and customer service representatives to improve efficiencies.



Total Affluent Banking deposits increased by

5%

Riyad Bank will continue to digitize its branches, prioritizing higher-volume customer service and requests. The year ahead will see the implementation of a new, more efficient branch queuing system. We will move more customers to automated channels and implement key process improvements. Kiosks and Cash Acceptance Machines will be expanded by offering several services across alternative channels, including card issuance, statement printing, account updates, and more. Digital authentication and paperless processes will also expand across our operations and services.



Corporate Banking

Empowering our corporate partners. Always with you.

Corporate Banking repeated its stellar strategic execution in 2023 to deliver outstanding value for our clients leading to exceptional results. The Division stepped up to opportunities, ranging from micro, small, and medium enterprises (MSMEs) to giga projects, and accelerated digital transformation and innovation to deliver another year of record-breaking growth.

Corporate Banking Highlights

Net income

SAR 5.6 Bn.

Total assets

SAR 186 Bn.

Total operating income

SAR 8.4 Bn.

Corporate Banking assets increased by 15% in 2023 from SAR 162 Bn. to SAR 186 Bn. Total operating income amounted to SAR 8.4 Bn., a dramatic improvement of 32% compared to SAR 6.4 Bn. in 2022. Net special commission income increased by 38% year on year to SAR 6.6 Bn., while fees and other income increased by 13% to SAR 1.8 Bn.

Operating expenses totaled SAR 2.8 Bn. for 2023, a 53% increase due to the increase in provisions for Corporate Banking, which increased to SAR 1.5 Bn., an increase of 101% compared to 2022. Corporate Banking's net income saw a 23% growth, from SAR 4.5 Bn. in 2022 to SAR 5.6 Bn. in 2023.

In 2023, Corporate Banking earned 62% of Riyad Bank's total income, compared to 58% in 2022.

Delivering on the Kingdom's Vision

Corporate Banking was once again a key player in supporting Saudi Vision 2030 by financing and participating in a range of strategic activities that will expand economic growth and create jobs across the Kingdom. The Bank took on roles such as lead arranger, agency, and account bank on initiatives related to giga projects, infrastructure, public-private partnerships, social impact, and tourism and entertainment. Its commitments total SAR 21.2 Bn., more than 80% of which was committed this year. Examples of participation include infrastructure projects related to the Jafurah CoGeneration KEPCO and Jafurah IWP (Mowah, Lamar, and Al Bawani).

Furthermore, Corporate Banking continued to cater exclusively to government entities' Vision 2030 targets. It also dedicated a business segment, offering a full suite of banking products and services for government and public sector entities.

Corporate Banking activated agreements with multiple government partners this year. Riyad Bank served as the exclusive partner to the Saudi Industrial Development Fund, to launch a working capital support program that boosts the manufacturing, mining, and power sectors.

Corporate Banking was also a leader in supporting the Kingdom's sustainability agenda by funding 22 renewable and green projects in power and water. The total value of these green projects is SAR 105 Bn., with Riyad Bank contributing SAR 23 Bn. Examples include the Neom Green Hydrogen Project.

The Division's efforts to target the MSME segment was also part of its strategy to deliver impactful corporate social responsibility practices.

As part of continuous digital enablement, Riyad Bank entered into an agreement with Saudi technology company BwaTech to provide digital services to the beneficiaries of letters of guarantee. This one-of-a-kind integration supports strategic clients such as the Saudi Electricity Company and the Ministry of Industry and Mineral Resources to perform services such as amendments and confiscation without submitting physical documents to the banks.

We also collaborated with the Ministry of Human Resources on the development of its electronic employment contracts system, QIWA. Riyad Bank supports the platform by accepting and managing the full digital payment cycle.

Green Projects Funded in 2023

22

Total number

SAR 105 Bn.

Total Project Costs

SAR 23 Bn.

Total Riyad Bank Participation

Digital Transformation for the Future

As part of the Bank's Transformation 2025 Strategy, Corporate Banking continued to expand its digital footprint, with approximately 90% of financial transactions from our corporate customers being initiated and completed end-to-end digitally. This is largely due to enhanced capabilities under our Global Transaction Banking (GTB) franchise, which covers cash management, merchant acquisition, corporate cards, and trade finance.

Corporate Banking introduced multiple digital offerings and enhancements this year – externally for clients and internally for Relationship Managers to improve operational efficiencies. New digital products included Riyadh Access, an application programming interface (API) marketplace supporting businesses to find the right APIs for their needs. We also launched the Petty Cash Card, which is a prepaid expense card for corporate customers that helps in managing the payments of expenditure either through eCommerce or physical card payments at an ATM or PoS, which led to 38% growth in the number of cards issued.

With financing being the core of our business, Corporate Banking focused on end-to-end digitization for various types of loans, to reduce turnaround time, especially for Islamic medium- and long-term loans. We also enabled branchless account opening for corporate clients, where customers do not need to leave their premises. Automation of Murabaha deals eliminated manual and cumbersome tasks related to commodities deal booking. We also implemented end-to-end process automation for call accounts including dynamic pricing and threshold monitoring with notional pooling. Finally, we employed machine learning to automate the checking of documents for trade finance.

Implementation of the RM Workbench has revolutionized the work of Relationship Managers. The digital platform leverages advanced analytics models to help them generate valuable opportunities and achieve their targets more efficiently.

Additionally, the platform facilitates collaboration among Relationship Managers, enabling them to share knowledge, strategies, and best practices, leading to improved overall performance. RM Workbench has become an invaluable tool for the Division, driving growth, optimizing resources, and maximizing profitability.

We also enhanced merchant acquiring solutions by introducing branch instant delivery of Point of Sale (PoS) devices for better swift services, which allowed branch customers to apply, complete the paperwork, and get the device instantly from the branch. We also launched an innovative and exclusive dual screen device, a first in the Saudi market, that enabled a better user experience and a reduced rate of error claims. Both of these participated in making Riyadh Bank a preferred choice for customers, resulting in a 26% growth in the number of devices issued.

Supporting MSMEs

As part of the Bank's Transformation 2025 Strategy and the Saudi Vision 2030 focus on growing the private sector, Corporate Banking further established itself as a key player and promoter in the vital MSME ecosystem. According to the Saudi Central Bank's data, Riyadh Bank's Corporate Banking Division held 22% of the market for MSMEs in Saudi Arabia, as of the fourth quarter of 2023. This year, the Division reached its target of providing USD 1 Bn. in financing for telecommunications and information enterprises in only 7 months.

The Division expanded its franchise across the Kingdom to reach 45 branches for MSMEs. It also achieved an average credit approval turnaround time of 48 hours for 50% of MSME clients. Cross-selling activities with Retail Banking totaled 220 in 2023.

In 2023, Corporate Banking signed 8 new partnership agreements to support the ecosystem. These included agreements with the Monsha'at Tomoh program and the Royal Institute of Traditional Arts to help finance MSMEs. In total, we held 5 joint workshops with partners, such as the Al Madinah Chamber of Commerce and Industry.

**MSME
Milestones**

22%

Market share for MSMEs in Saudi Arabia.

USD 1 Bn.

In financing for telecommunications enterprises.

8

New partnership agreements.

5

Joint workshops with partners.

220

Cross-selling activities with Retail Banking.

Awards and Achievements



The Corporate Banking Division helped Riyadh Bank to take home several awards and recognitions in 2023. These included:

- ✓ First ranking for the Kafalah MSME Finance Guarantee program in terms of value of financing, guarantees, and beneficiary enterprises.
- ✓ The Global Trade Review Saudi Arabia 2023 'Sustainability in Trade' Award.
- ✓ Project Finance Institute (PFI) 'Middle East and Africa Utility Deal of the Year' for serving as mandate lead arranger and other agency roles for the USD 1.33 Bn. Red Sea Development Company utility project.
- ✓ PFI 'Middle East and Africa Public-Private Partnership Deal of the Year' for serving as mandate lead arranger, onshore security agent, and onshore bank account for 3 independent sewage treatment plants in Madinah that raised USD 700 Mn.
- ✓ PFI 'Middle East and Africa Public-Private Partnership Deal of the Year' for serving as coordinator, bookrunner, mandated lead arranger, onshore bank account, and an agency role for NEOM Helios, the first major international project for green hydrogen, worth USD 7 Bn.

Other achievements included obtaining a General Clearing Membership with the Saudi clearing company Muqassa. The membership will enable Riyadh Bank's new Securities Clearing product, to bring value to investment brokers from end-to-end in the Saudi Exchange and derivatives markets.

38%
growth in the number
of cards issued

Looking Forward to 2024

Corporate Banking aims to maintain its growth trajectory in 2024 by continuing to offer our comprehensive suite of products with synergies across the Bank's business lines. At the same time, we will enhance and expand our existing and potential client base, as well as our partnerships with government entities and Saudi Vision 2030 initiatives.

We see a growing demand for financing driven by government diversification and privatization initiatives, as well as corporate and MSME growth and refinancing needs. Corporate Banking is poised to expand its asset base through diversification of assets and product development, to provide our clients with their desired service excellence.

The Division aims to maintain our strong and leading position in the MSME ecosystem by scaling our new digital platforms. Growing funding requirements of giga projects and related infrastructure investments will further expand our asset base.

Riyad Bank also aims to be a key partner in helping corporate clients fight climate change. Saudi regulators are increasingly concerned about the effects of climate risk on financial markets and stability, as are other regulators around the world. Corporate Banking will seize the opportunity and mobilize financing to help corporate clients achieve their climate targets and net zero emissions goals.

Corporate Banking established its role in the MSME ecosystem, achieving a 22% market share and providing USD 1 Bn. in financing for telecommunications and information enterprises.

Treasury and Investment

Securing landmark transactions.

Always with you.

The Treasury and Investment Division was a key contributor to Riyad Bank's profitable growth this year, as we managed the Bank's liquidity and proprietary investments and provided a wide range of products and hedging solutions to our corporate and retail customers. Considering the current high market volatility, we provided the most innovative financial solutions to our clients in a bid to ease the financial burden arising from the high interest rate environment.

Treasury and Investment Highlights

Net income

SAR 2.2 Bn.

Investment's net

SAR 58 Bn.

Commission income

SAR 998 Mn.

In 2023, Treasury and Investment accounted for 16% of Riyad Bank's total operating income. The Division contributed SAR 1,512 Mn. of net special commission income as compared to SAR 1,003 Mn. in 2022. Treasury and Investment's contribution to commission income of the Bank stood at SAR 998 Mn.

At the end of 2023, Investments' net stood at SAR 58 Bn., an 11% increase compared to SAR 52 Bn. at the end of 2022. Meanwhile, total liabilities were SAR 43 Bn., a 62% increase compared to SAR 26 Bn. the previous year.

Landmark Deals and Results

Treasury and Investment mitigated risk on the Bank's investment portfolio in 2023 by raising cash levels before the onset of interest rate rises and actively managing the hedges. Foresight and prudent decision making helped to protect a significant part of the Bank's portfolio value throughout the year.

Major deals included raising a syndicated senior unsecured term facility amounting to USD 1.2 Bn. with a group of international banks. This landmark inaugural financing for a period of 3 years was achieved on competitive terms, with a margin of 85 basis points over the SOFR index. The deal demonstrates Riyad Bank's abilities and strong standing in the financial market. It will also support the Bank to grow and diversify its funding base.

Riyad Bank continued to expand its market share in the local derivatives market in 2023, becoming a prominent hedge provider and one of the largest players in the market. This was solidified with the closing of a mega SAR interest rate swap, whereby the Bank acted for the first time not only as a hedge provider but also as a hedge coordinator. The deal highlights Riyad Bank's capability to provide its clients with the most competitive pricing and hedging solutions.



Treasury and Investment accounted for 16% of Riyad Bank's total operating income

Strategic Progress

In 2023, Treasury and Investment carried out a significant organizational revamp to align with business growth and regulatory shifts. Strategic changes across the Division will help us to instill a customer-centric approach matched to the regional market, as well as to improve execution and risk controls. Specifically, the decentralization of the regional Global Markets team into Central, Eastern, and Western will help us to better respond to customers' needs in each region, resulting in improved market share and profitability, along with higher levels of customer service.

This year, we also continued to develop and maintain beneficial relationships with domestic and international banks. We executed several new treasury relationship master agreements with key players, and currently have several more in the advanced execution stage. These relationships and agreements will offer Riyad Bank wider market access as well as improved product pricing, supporting its growth in the years ahead.

Finally, in 2023 we completed the Interbank Offered Rate Transition Project to fully align with international regulatory standards, supporting our strategy to be the Kingdom's Bank of Choice.

Supporting Vision 2030

This year, we continued to actively align with and support Saudi Vision 2030. Treasury and Investment actively contributed to the hedging of loans associated with Vision-related energy projects. We also participated in buying alternative energy sector bonds to help the Kingdom reach its sustainability targets.

Riyad Bank executed the first mortgage collateralized deposit to support a government entity in its mandate to provide liquidity and facilitate access to sustainable financing solutions for homebuyers in the Kingdom. Furthermore, we participated in a strategic partnership with a government fund to create a portfolio-linked deposit program and execute its first deal. The new program will help to sustain and expand the fund's reach, covering promising sectors such as industry, energy, mining, and logistics.

Transformation 2025

Treasury and Investment made headway in the Bank's Transformation Strategy 2025, which aims to create value through innovation and digitization. We continued to develop bespoke financial solutions for our clients.

We also expanded our digital RBFX platform for corporate customers to focus more on client needs, with a 24/7 service capability to improve their banking experience. In addition, we worked closely with our internal Stakeholders to finalize the blueprint for strategic initiatives to further boost Corporate and Retail Banking cross-selling opportunities.

Furthermore, the Bank embarked on a strategic project to develop a more robust and integrated treasury platform to serve its growth aspirations. The new platform will transform, modernize and unify the existing heterogeneous treasury systems across the treasury front, middle, and back offices.

A Positive Outlook for 2024

After a challenging 2023 on the back of global inflationary pressure, rate hikes, geopolitical uncertainties, and major regional and global conflicts, we expect the market environment to begin normalizing in 2024. Treasury and Investment will continue to redeploy the cash available for investments gradually and opportunistically, while enhancing the portfolio yield and efficiently managing the risks.

We have significant plans for the year ahead. These include improving cross-selling to include small and medium enterprises (SMEs), private banking, and providing financial hedging solutions to external corporate customers. We will also launch new financial solutions, in the Saudi market, as well as gold trading services. Aligned with these launches, we aim to expand customer acquisition with a focus on SME clients, as well as private banking and family office customers. We will also extend our state-of-the-art RBFX platform across different retail channels to further improve customer experience.

In 2024, we will assess the liquidity requirements and plans for the Bank's 2 funding programs – the local SAR program and the USD Euro Medium-Term Note (EMTN) program. Furthermore, we will embark on additional initiatives to diversify funding by utilizing appropriate tools, subject to market conditions.

Awards and Recognitions



Bank Treasury and Funding Team of the Year 2022*

By GFC Media Group

Regulatory Capital Deal of the Year 2022*

By Islamic Finance News

*received in 2023



Riyad Bank achieved significant deals and results in 2023, including raising a USD 1.2 Bn. syndicated term facility and expanding its market share in derivatives.

Subsidiaries

Diversifying our portfolio. Always with you.

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.
Riyadh Company for Insurance Agency	500,000	50,000	100%	Working as an agent selling insurance products, including their own and those managed by other main insurance companies.
Curzon Street Properties Limited	9,350,760	2,000	100%	Owning properties.
Riyadh Financial Markets Limited	187,500	50,000	100%	Implementing financial derivative transactions and repurchase agreements with international parties on behalf of Riyadh Bank.
Riyadh Esnad Company for Human Resources	500,000	500,000	100%	Providing operational human resources services exclusively for Riyadh Bank and its subsidiaries.
Jeel Digital Innovation Company	100,000,000	100,000,000	100%	Supporting the Bank building and developing innovative digital and technical solutions.



Ithraa Riyadh Real Estate Company

Ithraa Riyadh is a limited liability company, wholly owned by Riyadh Bank. 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, as well as the sale and purchase of real estate.



Curzon Street Properties Limited

Curzon Street Properties Limited is a wholly owned subsidiary of Riyadh 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 Limited is licensed in the Cayman Islands, and specializes in implementing derivative transactions and repurchase agreements with international parties on behalf of Riyadh Bank.



Riyadh Company for Insurance Agency

Riyadh Insurance Agency, is a limited liability company, wholly owned by Riyadh Bank. 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 Riyadh Bank and its individual and corporate clients.



Riyadh Esnad Company for Human Resources

Established in 2020, Riyadh Esnad Company for Human Resources is a limited liability company, wholly owned by Riyadh. Registered in Saudi Arabia and headquartered in Riyadh, the Company provides operational human resource services exclusively for Riyadh Bank and its subsidiaries, with the aim of reducing costs and risks to the Bank.



Riyad Capital

During 2023, Riyadh Capital continued to build on its strong standing and proposition in the market, launching new services and technologies, playing key roles in various transactions, and introducing a range of successful investment funds.

New investment services were introduced to strengthen the Company's position in financial markets, including the launch of the daily and monthly margin financing product, Advanced Order Service, in the Saudi market, and a redesigned website to better meet customer expectations. Additionally, the new Riyadh Capital trading application for the Saudi market, along with the Riyadh Global application for international trading were launched.

The Riyadh Technology Fund, managed by Riyadh Capital, successfully completed a full exit from Beehive, yielding returns approximately twice the fund's total investment in the Company. Simultaneously, other bold capital funds managed by the Company continued deploying capital by investing in various local and international companies across a range of sectors.

The Company introduced a series of successful investment funds during the year, including the Riyadh Capital Fund 3, the largest direct financing fund in the market with a value of SAR 1 Bn., and the Riyadh Monthly Distributions Fund, the first private fund investing in money markets with monthly distributions exceeding SAR 1.3 Bn.

Building on its advisory and management track record for offerings and listings, Riyadh Capital led the capital increase for Nadec, serving as the financial advisor and coverage contractor for the offering valued at SAR 2 Bn.

Riyad Capital further solidified its position as a major player in securities custody services, with assets under custody exceeding SAR 274 Bn., ranking first among local custodians in asset volume and second overall. The Company will continue to expand its services and products in this field.

Jeel Digital Innovation Company



This year, Riyadh Bank successfully launched its innovation hub, Jeel. Jeel is a digital innovation enabler, driving impact in the financial technology sector by empowering financial institutions, fintech's, and technology aspirers, while fostering thought leadership, emerging technology, and research and development.

Jeel provides dedicated space and resources for employees to explore new ideas, experiment with cutting-edge technologies, and develop innovative solutions to address real-world challenges. Through Jeel's incubator and accelerator, participants undergo a comprehensive end-to-end process encompassing ideation, design, development, testing, and scalable growth.

Riyad Bank's establishment of Jeel demonstrates its firm commitment to innovation and a proactive investment in the future of digital transformation, particularly in driving advancements within the

financial banking landscape. This dedication mirrors the crucial need to swiftly adapt to emerging technologies and trends.

Jeel's primary assets lie in its diverse talent base, which comprises global and local experts, well-versed in the digital innovation sector with a specific focus on the financial industry. It has also developed effective corporate governance through its Board of Directors, to achieve its long-term objectives and emphasize transparency, accountability, and ethical practices.



Foster and Accelerate Innovation

Leverage experiential interaction to convey awareness, ideas, and digital innovation with Bank employees, customers, and partners.



Talent at Scale

Attracting local talent and expert partners while retaining employees.

Jeel Strategy

Excel in Financial Platform Services

Ability to identify, capture, and scale emerging and disruptive platform technologies via progressive infrastructures and forward services..



Financial Growth

Establishing a profitable return for Jeel via its products and services.



The Jeel Brand

The Jeel brand embodies this vision of being at the forefront of the digital revolution, reflecting the core values of innovation, collaboration, empowerment, reliability, and aspiration. This year, Riyadh Bank fortified Jeel's brand equity and increased brand awareness within the Bank through continuous internal communications. Jeel's participation in the Seamless Saudi Arabia Conference generated high-quality leads for future databases and raised online public awareness with more than 900,000 impressions. Moreover, Jeel fostered an innovation culture through its TekTalk sessions, achieving a 93% satisfaction rate from more than 150 attendees.

Innovative Projects

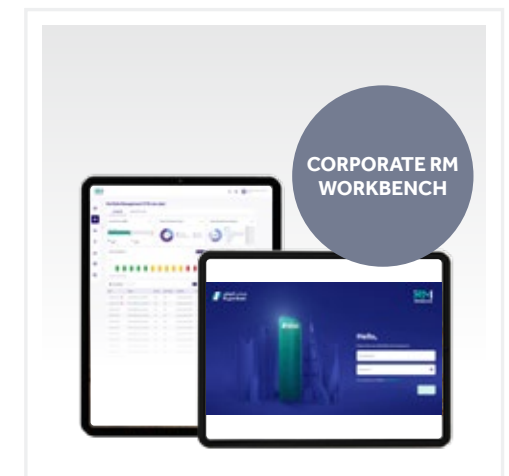
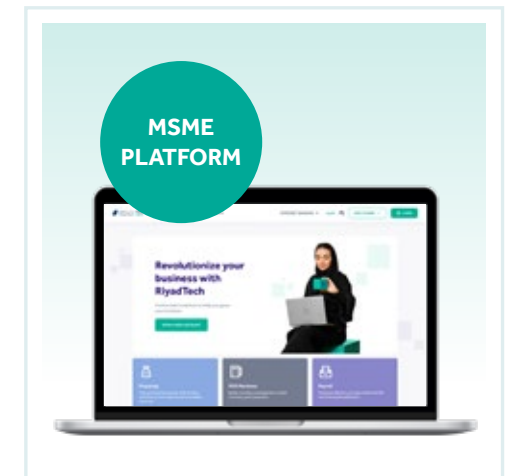
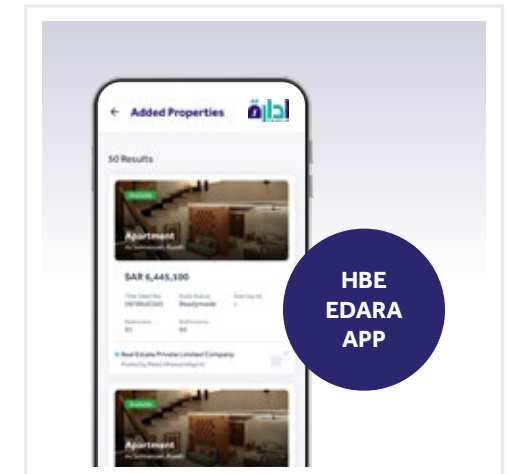
Jeel engaged in several strategic projects aimed at evaluating the digital effectiveness of Riyadh Bank and its overall impact on performance. These included the launch of Open Banking: Pilot OB UK Standards and Certified OB KSA Standards for account information services, successful analysis and development of a minimum viable product for WSL Fintech Banking Foundation, creation of the Digital Maturity Index Portal, and the implementation of DevOps tools. Furthermore, Jeel launched the Digital Insights Application Phase I, introducing a mobile platform for exclusive finance and tech content sharing. Additionally, Jeel transformed 3 ideation prototypes into interactive marketing showcases.

Disruptive Products and Services

This year, Jeel helped to introduce a line-up of innovative products and services for Riyadh Bank, designed to simplify banking and day-to-day business needs:

- The Corporate Relationship Manager Workbench, an AI-powered frontend enabling a step change in client relationships.
- Riyadh Bank's Micro, Small, and Medium Enterprises Platform MSME, a one-stop solution to simplify banking and day-to-day business needs.
- The Home Buying Ecosystem, a fully digitalized, easy to use ecosystem supporting customers across their home buying journey and brokers managing their business.

In addition, the Jeel Insights app helps users to explore opportunities and stay well-informed about the transformative trends that are shaping the financial landscape in the region and beyond. We also successfully launched the TekTalk program, a series of sessions offering updated knowledge, skill growth, and innovation to boost engagement and spark collaboration for the Jeel team.



ESG Review

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Riyad Bank is committed to accelerating its sustainability efforts to fulfill its duty to its Stakeholders and country, both now and in the future.

Sustainability Strategy and ESG Framework

Our Sustainability Transformation

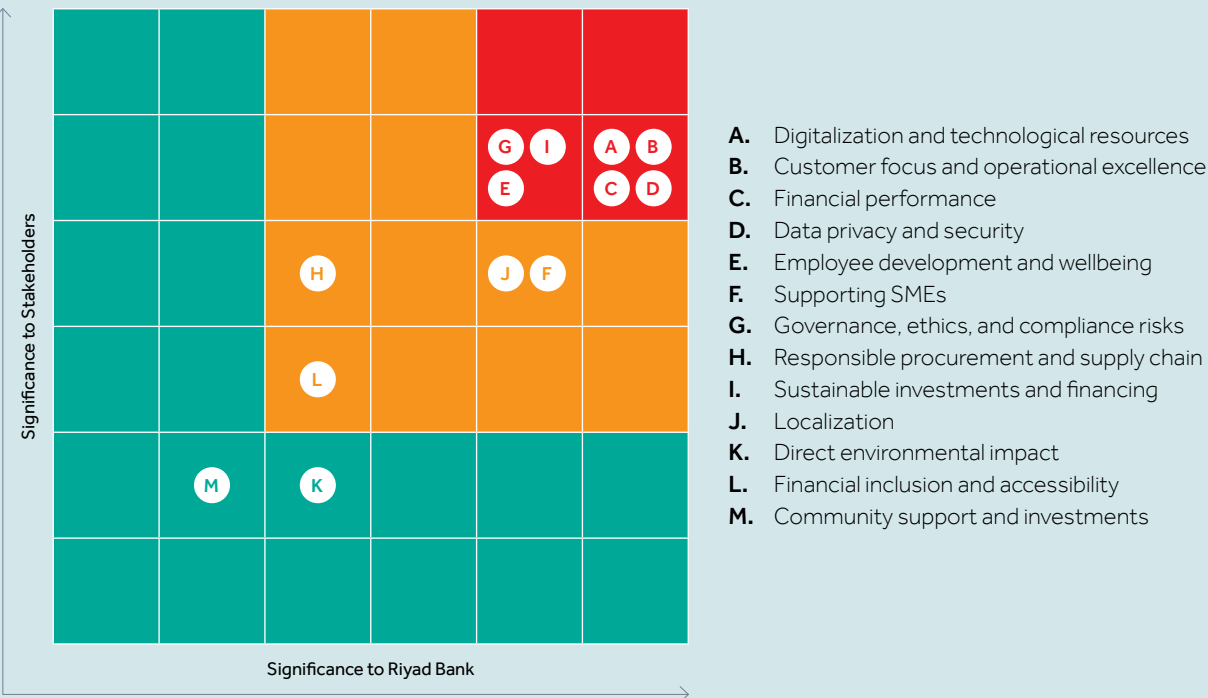
In 2023, Riyadh Bank maintained its focus and commitment to expanding and enhancing our market-leading Corporate Social Responsibility (CSR) strategy and initiatives, which cover a wide range of Environmental, Social, and Governance (ESG) areas. We understand that sustainability and ESG are central to the future of our Bank, enabling us to maintain our position as a force for positive and continuous improvement in our sector while supporting the goals and ambitions of our Stakeholders and the Kingdom of Saudi Arabia.

As such, the Bank completed the 2025 Strategy refresh, where we expanded the coverage of the strategy to formally include ESG as a key focus area. The Bank is engaged in developing an ambitious Sustainability strategy and a 3-year roadmap that will be implemented in 2024. The Sustainability strategy and roadmap will capitalize on our existing excellence while building new future-proof capabilities to exploit new opportunities, markets, and products.

By “Helping Saudi Arabia thrive” – the Sustainability strategy will seek to accelerate the achievement of the Vision 2030 and Saudi Green initiatives while also delivering enhanced long-term value to our Stakeholders.

Our Material Matters

As one of the largest financial services institutions in Saudi Arabia, we play a pivotal role in the economic activity of the nation. We assist with the creation, growth, and protection of wealth through partnerships in economic development. Several factors affect our ability to create value, including our operating environment, our risk landscape, the legitimate needs and priorities of our Stakeholders, and our strategic objectives. We report according to what we have deemed are our material matters – those that can significantly affect our ability to create or preserve value, or may lead to value erosion, over the short, medium and long-term.



CSR Governance

Riyad Bank’s governance, supported by sustainability principles and practices, enables us to have a meaningful impact on our Stakeholders.

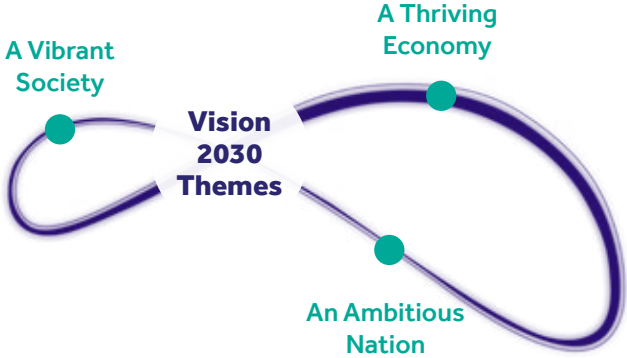
The Bank has a dedicated Corporate Social Responsibility (CSR) Committee, led by the Chairman of the Board with support from the CEO, CXO, and representation from all business and functional areas. The Committee’s role is to oversee systems, policies, and processes to achieve the Bank’s sustainability objectives and monitor sustainability risks.

Aligning With National and Global Sustainability Goals

Saudi Arabia’s Vision 2030

Riyad Bank is fully dedicated to the realization of Saudi Arabia’s Vision 2030. Our commitment aligns with our responsibility to the Kingdom, reflecting our eagerness to invigorate the national economy and diversify its revenue streams for future growth.

Vision 2030 serves as a developmental blueprint with the primary goal of ensuring Saudi Arabia’s long-term sustainability. Founded on 3 themes, the Vision seeks to attain strategic objectives that include enhancing government efficiency, fostering social responsibility, growing and diversifying the economy, and promoting increased employment opportunities.



2023 Highlights

In the year 2023, Riyadh Bank implemented several initiatives strategically designed to contribute to the realization of Vision 2030. These initiatives actively supported 29 of the Vision Realization programs, aligning with the 96 strategic objectives outlined in the Kingdom’s Vision. Through the implementation of our 69 initiatives, these programs accounted for 100% of the strategic objectives outlined in Saudi Vision 2030.

Riyad Bank achieved all strategic objectives with 69 initiatives



Riyad Bank is fully committed to the success of the National agenda.



United Nations Sustainable Development Goals (UNSDGs)

Guided by our sustainability framework and long-term aspirations, we are accelerating our efforts to align with the UNSDGs. This commitment is in harmony with our alignment with the UN Global Compact principles. We have strategically prioritized 14 of the 17 SDGs where we believe our efforts can make a profound and meaningful impact.



Riyad Bank strategically targets 14 of 17 UN SDGs



Sustainable Investing and Financing

Sustainable Finance

Riyad Bank is active in both environmental and social project financing in the Kingdom. The establishment of our sustainable finance framework has allowed us to map each financed project under the related ESG category and obtain an accurate classification of Riyadh Bank's financing facilities. During 2023, the Bank's net Green and Renewable loan commitments grew by over SAR 16 Bn. and it disbursed circa SAR 6.8 Bn., net of repayments.

In April, we signed an MoU with ZATCA to bolster the services of the "Zakaty" platform, reflecting a sustained commitment to enhancing digital financial services.

Empowering SMEs

SMEs and entrepreneurs play a crucial role in fostering innovation and driving economic growth. These entities serve as significant contributors to job creation, both within the Kingdom and globally. Despite their pivotal role, SMEs frequently encounter challenges such as limited access to finance and existing products, or services to meet their specific needs. In 2023, Riyadh Bank signed a number of agreements to support their ambitions.



✓ Collaboration with **Biban23** to foster tangible opportunities, primarily by offering financial services to SMEs, propelling their growth and enhancing their leadership footprint both locally and globally.



✓ **MoU with Riyadh Municipality** to support national SME projects. This strategic alliance seeks to empower the private sector, forming a cornerstone for economic diversification.



✓ Partnership with **Saudi Bar Association** in a workshop titled, Riyadh Bank Services for Legal Entities, fostering a synergy between legal frameworks and financial services.



✓ MoU signed with the **Municipality of the Madinah Region** to bolster investor support and enhance service delivery to the residents and visitors of Al-Madinah city



✓ **MoU with Monsha'at** targeting the provision of financing opportunities for Tomoh enterprises.



✓ Showcased innovative banking solutions and sustainable financial services at **Future Investment Initiative**.



Riyad Bank's net Green and Renewable loan commitments grew by over SAR 16 Bn.



✓ Riyadh Bank honored by CMA for sponsorship and active involvement in the second edition of the **Financial Academy Forum**.

Protecting the Environment for Current and Future Generations

Riyad Bank is not only environmentally conscious but also proactive. From organizing tree planting events where thousands of trees were planted, to initiating recycling campaigns, and pledging to plant trees for every goal scored by Al-Hilal, the Bank's green initiatives were both diverse and impactful.

A Greener Bank for a Better World

Riyad Bank championed recycling with comprehensive campaigns across its premises. The "Reduce With Us" initiative, in collaboration with MCIT and the Ertiqia Association, emphasized the importance of e-waste recycling, reducing the environmental impact of discarded electronics. By August, our efforts had resulted in the recycling of 64,000 electronic parts, a milestone in our fight against the mounting e-waste challenge.

Our journey from 2022 to 2023 epitomizes Riyadh Bank's enduring commitment to environmental stewardship. Recycling remained a cornerstone, while our procurement practices mirrored a broader vision. This vision aims to ensure that every economic transaction contributes towards sustainability and community empowerment. As we look ahead, we're not merely upholding our green legacy, we're redefining what it means to be a responsible and environmentally-conscious bank in the modern era.

Key Highlights in 2023



Recycling



✓ Continued Reduce it with us campaign, recycling **64,000** electronic parts.

✓ Acknowledged by His Excellency CSTC Mohammed Al-Tamimi during the Leap2023 Conference for the Dawwer Jehazak initiative, where **100,000** electronic parts were recycled.

✓ Riyadh Bank has recycled a total of **7,710 kilograms** of plastic and paper waste at its headquarters, equivalent to 7.7 tons.



Electricity

Riyad Bank, in a pioneering move towards sustainable banking, rolled out modern branches equipped with electric car charging stations. This initiative not only underscores the Bank's commitment to a greener future but also aligns with global trends emphasizing electric mobility. By offering charging stations, Riyad Bank supports the growing community of electric vehicle owners in the Kingdom, simultaneously reducing carbon emissions and reaffirming its position as a future-ready, environmentally responsible institution.

This move is especially significant in the context of Saudi Arabia's Vision 2030, which seeks to diversify the economy and reduce its dependence on oil. By promoting electric vehicles and providing the necessary infrastructure, Riyad Bank supports the Kingdom's transformative journey.

We also achieved a remarkable 15% reduction in our electricity consumption and carbon footprint by transitioning to renewable energy sources.

Water

In 2023, Riyad Bank took a significant step towards water conservation by implementing gray water systems in its facilities. Recognizing the preciousness of water, especially in the arid regions of Saudi Arabia, the Bank adopted this innovative solution to recycle and reuse wastewater for non-drinking purposes such as landscaping, flushing toilets, and cooling systems.

The gray water system captures water from sinks, showers, and laundries, treats it, and then redirects it for non-potable uses. This not only drastically reduces Riyad Bank's freshwater consumption but also lessens the strain on municipal water supplies and wastewater treatment systems.

Riyad Bank's commitment to water conservation through the gray water system exemplifies its holistic approach to environmental sustainability. It showcases the Bank's dedication to not only supporting green financial products but also ensuring that its operational practices are in line with the best environmental standards.

Tree-planting

Combining passion for sports with environmental responsibility, the Bank introduced the "Goal Initiative", pledging to plant 100 trees for every goal scored by Al-Hilal. This innovative campaign resonated with sports enthusiasts and eco-warriors alike, resulting in the planting of thousands of trees.

Riyad Bank attained
15%
reduction in electricity

Supporting Our Society

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

developed a comprehensive Bukra CSR strategy that outlines our key priorities for social investment.

This strategy is aligned with Saudi Vision 2030 and the UN SDGs and guided by local and global best practice.

Key Highlights in 2023



Launched **IMPACTHON Social Investment Challenge** with the non-profitable National Center, to explore social issues and foster innovation and sustainable solutions.

1,000 Entrepreneurs
4,000 Ideas
13 Main cities
9 Fields
10 Projects won

Launched **World Cancer Day** by sponsoring entertainment activities for children with cancer, with 60+ attendees and their families, raising significant awareness about cancer and providing support to affected families.

Initiated the **Steps Challenge** for employees, to encourage physical activity and awareness about Breast Cancer. Pledged to donate to local associations based on the collective steps taken.

120 Employees
7.7 Mn. Steps

Sponsored and supported the Saudi Chemistry Team at the prestigious International Chemistry Olympiad, initiating their competitive journey with an engaging Spring bootcamp. This marked the beginning of their preparation for the Mawhiba International Olympics, where a remarkable total of 272 students competed. The sponsored team also showcased their talents at the ISEF competition held in Switzerland, where their exceptional skills and dedication were recognized with the team securing 4 silver medals.

Commemorated global health days like **World Diabetes Day** and **World Blood Donor Day** by organizing relevant events and campaigns, including blood donation drives and diabetes awareness programs.

Designed "**Bukra**" **football competition** and the **Token Awareness** initiatives to instill financial knowledge and habits from a young age.

Supported numerous impactful **education and training** events which included an honored visit by the Minister of Education. Awareness was raised on key topics ranging from the importance of **cybersecurity, braille communication, translation skills, and combatting desertification**, to the importance of education and skills training for the **disabled** to enhance their employability.

Sponsored the **SFA Expo**, a premier event dedicated to fitness and health, underscoring our deep commitment to the wellbeing of the community. Our involvement in the expo not only aimed to elevate health and fitness consciousness across all demographics but also placed a significant emphasis on inclusivity, especially among people with disabilities (PWDs), fostering an environment that is accessible to everyone. The expo was a resounding success, with over 8,000 attendees participating, reflecting the community's growing interest and enthusiasm in leading healthier, more active lifestyles. This initiative is a testament to our dedication to promoting a healthier, more inclusive community where everyone has the opportunity to thrive.

Key Highlights in 2023



Through the Al-Hajj initiative “We Care”, contributed by distributing umbrellas to the pilgrims.

Your Impact is Eternal
On International Youth Skills Day, and in collaboration with Ekhwanakom Association, employees participated in a mentoring program for orphans. By sharing their skills and experiences they helped the orphans overcome their challenges, empowered them, and assisted them in fostering their personal and professional growth. We held a workshop for employees who registered for the orphan mentoring program, “How to be a mentor”, presented by the founder of “Ekhwanakom” Association.

30 Riyadh Bank employees attended the workshop.

Tomoh Program
Introduced a training program for unemployed individuals in collaboration with The Economic Families Association, training and employing 192 beneficiaries.

Riyad Talk hosted a session titled “The future of social sustainability in the Kingdom” with Mrs. Dimah Al-Sheikh – the Executive Director of MisK Values, fostering greater awareness and commitment to social sustainability among participants, encouraging sustainable practices.

Inaugurated the Bukra Nursery with an ambitious goal to plant **4 Mn. trees** by 2030.



Charity Donations

Collaborated with Alhilal Foundation and Rikaez Altfaul Foundation during Ramadan to distribute **25,000 food baskets to 198 associations** across the Kingdom.

50 Riyadh Bank employees volunteered in the packaging of these baskets.

In cooperation with Ekram Society for Food Preservation in Mecca, 700,000 meals were distributed during Ramadan by saving food surplus in Mecca.

600,000 Beneficiaries.
SAR +3 Mn. saved
2,000 Volunteers
220 Tons saved

Impactful Community Initiatives
Hosting Non-profit Organizations

As part of our commitment to the community by offering our facilities to conduct workshops for NGOs and to activate the knowledge pillars, we hosted a conference on data-science, covering data science, machine learning, and AI, with 350 attendees. This enhanced the data handling and analytical skills of NGO personnel, improving their operational effectiveness.

The Innovation Challenge

This initiative was launched in collaboration with Saudi CSR, to generate projects to stimulate creative innovation among the younger generation in the fields of technology, cybersecurity, and digitalization. Over 100,000 individuals benefited from improved skills in these fields.

Financial Literacy Awareness

Conducted 2 distinct sessions on financial literacy for World Savings Day for 3,500 participants. The first session focused on school students and covered the basics of saving and budgeting and entailed nearly 200 school visits while the second session focused on employees and families and covered advanced home financial management topics. These sessions fostered family-centric financial discussions and provided a better understanding of savings, budgeting, and investment among the various age groups.

SDC Club Partnership at King Faisal University

In collaboration with the SDC Club at King Faisal University, we deepened our academic-industry ties. Through this partnership, our employees volunteered to mentor 560 students, offering them practical insights and guidance to help bridge the gap between classroom learning and real-world industry demands, helping students to prepare for a successful transition to the workforce.



+100,000
individuals benefited from
Innovation Challenge initiative

Hasalink Initiatives

Under the esteemed patronage of the Prince of the Eastern Regions, the Hasalink initiatives were launched. The Hasalink umbrella encompasses 4 pivotal initiatives: Rural Link, Logistics Link, Industrial Link, and Sustainability Link, each tailored to address key developmental areas within the region.

MOLHEM (Innovation initiative) Internal Innovation Program

Launched in collaboration with MOLHEM, Riyadh Bank unveiled the CSR challenge which galvanized employees to develop new ways of accelerating the achievement of the Sustainable Development Goals through the use of innovation. Over 75 participants developed compelling and creative ideas and approaches.

MoU with Social Development Bank

Furthering its commitment to societal growth, Riyadh Bank signed another MoU with the Social Development Bank. This collaboration aims to foster a culture of savings through the initiative dubbed ‘Savings Found Day,’ thereby heightening financial literacy and promoting the growth of individual and family savings within the Saudi community.

Achievements and Awards

Riyad Bank’s CSR efforts were widely appreciated. In addition to the acquisition of the ISO 26000 certification in social responsibility, the Bank was acknowledged at events such as Leap2023, and the Public Investment Fund (PIF) Partners’ Forum where it was awarded the Big Data Prize in recognition for enhancing its operations using Artificial Intelligence and Data Sciences.

Prioritizing Our People

With a workforce exceeding 5,900 full-time Staff members at Riyad Bank, our commitment to sustainable development has always prioritized inclusivity for employees. Recognizing that employees form the heartbeat of our organization, their journey with us stands as the cornerstone of our operations and our ability to create value. Our unwavering dedication is geared towards being the best employer possible, aligning with our objective to become the Bank of Choice for employees by 2025.

In 2023, we reinforced our appreciation for our employees' contributions through initiatives spanning recruitment, selection, engagement, development, and retention. Our comprehensive rewards program further underscores our commitment, allowing us to provide competitive remuneration and benefits. At Riyad Bank, we are steadfast in ensuring that our employees not only feel valued but also play an integral role in our collective success.

Our People by the Numbers		
	2023	2022
Total workforce (excluding trainees, students)	5,915	5,593
Full-time employees	5,915	5,593
Senior Management employees	277	233
Middle Management employees	1,866	1,660
Non-Management employees (Staff)	3,772	3,700
Number of nationalities	25	25
Female employees	1,697	1,591
Female employees in middle Management	469	440
Female employees in senior Management	27	21
Male employees	3,993	3,763
Saudi National employees	5,690	5,354



Bank training penetration rate
82%

Recruitment Highlights



People Acquisition – 1,075 new employees joined Riyad Bank during 2023.

Internal Talent Mobility – transferred and appointed 71 employees to new roles through Riyad Bank's Internal Mobility program, Masirati.

Fursan Al Riyad – launched 3 Fursan Al-Riyad batches during 2023 with 80 new trainees joining Riyad Bank as part of the program.

Internships – trained 248 fresh graduate Saudis under the Tamheer and Coop programs during the period, with 67 hired for permanent roles.

Summer Internship Program – conducted the summer internship program for 207 trainees who joined Riyad Bank.

Iqdam Program – hired 23 people with disabilities in 2023 as part of the Iqdam program.

Organizational Health and Wellness

Riyad Bank has released a number of initiatives, over the past 4 years, that focuses on enhancing the organizational health. Key initiatives include:

"Your Voice is Heard" Initiative

This initiative was kicked-off in 2022 with the objective of implementing a set of employee-suggested services at Riyad Bank. These recommendations were captured through surveys, one-to-one interviews, and other channels. Later, ideas and recommendations were prioritized and evaluated, for selection and implementation.

Organizational Health Index (OHI) Tool

The implementation of the OHI has provided a comprehensive and objective assessment of the Bank's organizational health and helped in monitoring and tracking progress over time. The OHI has also helped in developing targeted interventions to improve organizational health and performance.

Learning and Development

In 2021, the inauguration of the Riyad Bank Academy marked a significant milestone in our commitment to nurturing young and promising talent. The academy is dedicated to fostering excellence by incorporating the latest advancements in the banking and financial services sector, aimed at elevating our capabilities

and performance. Positioned as a cutting-edge contemporary learning hub, the academy has swiftly gained a reputation as a prestigious institute for financial and banking studies in Riyadh. This underscores the city's pivotal role as an international financial training center.

- **Leadership programs** – Conducted 3 leadership programs for Senior Leaders (IESE Business School; fourth cohort completed with 36 participants), Future Leaders (ROSS School of Business; seventh and eighth cohorts ongoing with 64 participants), and New Leaders Transition programs (33 participants during the period; total of 256 transitioning managers completed year-to-date).
- **Fursan Al Riyad Development Program** – Launched graduate program for Trade Finance, Digital Track with a total of 45 trainees.
- **High Performance Retention Plan** – Hosted 8 CEO lunch events reaching a total of 363 high performers.
- **Job rotation** – 126 high performers were approved for job rotation opportunities, with 23 completing the rotation plan, and 103 scheduled for the plan.
- **Riyad Academy programs**: Successfully achieved 100% engagement of Head Office employees who were invited to participate in at least one training opportunity. Percentage of unique trained employees reached 75%.

Career Management and Succession Planning

Each year we identify, assess, and develop employees with the potential to move into Executive Management, leadership, or other vital positions, in line with the Bank's business sustainability and 2025 strategic priorities. We utilize global best practices and local regulatory requirements to mitigate the risk of losing key people. The Human Capital (HC) Division has deployed professional career counsellors to keep employees informed of their potential career paths. The HC Division adopted a policy of modernizing and developing the frameworks that govern the work of career paths and succession planning at Riyadh Bank.

The Division reviewed the behavioral, technical, production, and functional skills at all organizational levels of the Bank. Following this study, HC intends to introduce an integrated business model that improves current practices and reduces operational risks. The Bank prioritized developing its internal talent through its Maserati program, which seeks to fill vacancies with internal talent first before advertising outside the Bank. So far, we have transferred 187 employees into new roles through this program. All employees undergo yearly performance reviews.

Diversity and Inclusion

The Bank's HC policies spell out the behaviors we expect from our managers and employees to provide a working environment in which everyone can perform to their full potential. We make sure our employment policies and practices do not unintentionally create the 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.

Empowering Women

Riyad Bank's "Empowering Women" initiative was kicked-off in alignment with the Kingdom of Saudi Arabia's Vision 2030 where Saudi women are a key priority to the Kingdom's vision. Riyadh Bank recognizes the importance of diversifying its

workforce and is committed to the inclusion of women in the workplace and diversifying its workforce. Riyadh Bank acknowledges the crucial role women play in its strategy of being an "Employer of Choice" for customers and employees. Saudi women, in particular, are central to the Kingdom's vision, and we are determined to make them central to ours as well. Hence, Riyadh Bank is determined to build an environment where Saudi women can excel, lead, and contribute their unique talents to the Bank's success.

For many years, Riyadh Bank has been a leader in the region in the inclusion and empowerment of women in the workplace, and in enabling great women leaders, by specifically increasing the number of Saudi females in the workforce and by diversifying the Bank's leadership team. Our recruitment strategy provides equal opportunity for women in both external and internal hiring, by opening up job opportunities, historically and traditionally occupied by men, to female candidates.

Another major aspect of our strategy is providing individual career development opportunities to female employees. Through mentorship programs, leadership training, and tailored development support, we empower women to progress to leadership roles within the Bank.

In terms of workplace flexibility, we offer custom working arrangements such as remote working and flexible working hours. For our working mothers, our flexible offerings allow for a seamless return back to the office following their maternity leave, enabling a work-life balance.

Employees with Disabilities

Throughout the year, the Bank actively championed the rights and inclusion of PWDs. From sponsoring job fairs to organizing specialized training courses and participating in forums, Riyadh Bank showcased its leadership in promoting an inclusive work environment. This raised awareness about the importance of inclusive employment and provided more job opportunities for PWDs to enhance their economic participation and independence.

Key Initiatives

- Participated in the **"Real opportunities for supported work"** Forum, raising awareness of inclusive employment, leading to more job opportunities for people with disabilities.
- **Improvement:** Increased networking and employment opportunities for attendees.

+120 attendees

- In cooperation with the Royal Institute of Traditional Arts, we conducted workshops in **traditional arts for PWDs**.
- Preserved **cultural heritage and promoted inclusivity** by involving people with disabilities in the traditional arts.

- **Purple Saturday:** Participated in the initiative with promotions tailored for PWDs.
- **Social Impact:** Special promotions for people with disabilities.
- **Improvement:** Improved accessibility and inclusion in commercial activities.

- Celebrated **World Education Day** from 22-23 January.
- Held **training courses** for people with disabilities, benefiting 40 individuals.
- Workshops covered **Awareness and Financial Fraud**, Personal Interviews, and Writing a CV.
- Improved **life skills and employability** for people with disabilities.



Governance

Members of the Board of Directors and its Committees

The Bank's Board of Directors

The Bank is overseen by a Board of Directors consisting of 10 members elected by the General Assembly every 3 years. In its current tenure, the Board comprises 5 Independent members and 5 Non-Executive members, as defined by Article 1 of the Corporate Governance Regulations issued by the Capital Market Authority. In 2023, the Board convened for 7 meetings, with a 100% attendance rate, considering both proxy attendees and those physically present.

Composition of the Board of Directors and Classification of its Members

	Member's Name	Position	Membership Classification	Representation
1	Abdullah Mohammed Al-Issa	Chairman of the Board of Directors	Non-Executive	-
2	Mutaz Kusai AlAzzawi	Vice Chairman of the Board of Directors	Independent	-
3	Ibrahim Hassan Sharbatly	Board Member	Independent	-
4	Jamal Abdul-Karim Al-Rammah	Board Member	Independent	-
5	Abdul Rahman Ismail Tarabzouni	Board Member	Independent	-
6	Omar Hamad Al-Madhi	Board Member	Non-Executive	Public Investment Fund
7	Mona Mohammed Al-Taweel	Board Member	Independent	-
8	Nader Ibrahim Al-Wehibi	Board Member	Non-Executive	-
9	Hani Abdullah Al-Johani	Board Member	Non-Executive	GOSI
10	Yasser Abdullah Al-Salman	Board Member	Non-Executive	Public Investment Fund

Board Meetings in 2023

Attendance Records of Board Members for 2023 Meetings, Including In-Person and Proxy Attendance								
	Member's Name	20.2.2023	26.03.2023	19.06.2023	18.07.2023	05.09.2023	05.11.2023	12.12.2023
1	Abdullah Mohammed Al-Issa	✓	✓	✓	✓	✓	✓	✓
2	Mutaz Kusai AlAzzawi	✓	✓	✓	✓	✓	✓	✓
3	Ibrahim Hassan Sharbatly	✓	✓	✓	✓	✓	✓	✓
4	Jamal Abdul-Karim Al-Rammah	✓	✓	✓	✓	✓	✓	✓
5	Abdul Rahman Ismail Tarabzouni	✓	✓	✓	✓	✓	✓	✓
6	Omar Hamad Al-Madhi	✓	✓	✓	✓	✓	✓	✓
7	Mona Mohammed Al-Taweel	✓	✓	✓	✓	✓	✓	✓
8	Nader Ibrahim Al-Wehibi	✓	✓	✓	✓	✓	✓	✓
9	Hani Abdullah Al-Johani	✓	✓	✓	✓	✓	✓	✓
10	Yasser Abdullah Al-Salman	✓	✓	✓	✓	✓	✓	✓

Committees Emanating from the Board of Directors

Riyad Bank's Board of Directors establishes specialized Committees in compliance with the regulations set forth by the relevant authorities. These Committees are instrumental in supporting the Board in fulfilling its duties and responsibilities, detailed hereunder, whenever needed.

1. Executive Committee

Main Duties and Responsibilities

The Executive Committee holds the credit, banking, financial, and administrative authorities within the Bank, entrusted by the Board of Directors. Comprising 5 members, it convened for 12 meetings in 2023, with an attendance rate of 100%.

Executive Committee Meetings in 2023

Attendance Records of Executive Committee Members at 2023 Committee Meetings						
	Member's Name	Position	10.01.2023	02.03.2023	21.03.2023	16.04.2023
1	Nader Ibrahim Al-Wehibi	Chairman	✓	✓	✓	✓
2	Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓
3	Mona Mohammed Al-Taweel	Member	✓	✓	✓	✓
4	Abdul Rahman Ismail Tarabzouni	Member		✓	✓	✓
5	Yasser Abdullah Al-Salman	Member	✓	✓	✓	✓

Attendance Records of Executive Committee Members at 2023 Committee Meetings						
	Member's Name	Position	07.05.2023	05.06.2023	16.07.2023	21.08.2023
1	Nader Ibrahim Al-Wehibi	Chairman	✓	✓	✓	✓
2	Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓
3	Mona Mohammed Al-Taweel	Member	✓	✓	✓	✓
4	Abdul Rahman Ismail Tarabzouni	Member	✓	✓	✓	✓
5	Yasser Abdullah Al-Salman	Member	✓	✓	✓	✓

Attendance Records of Executive Committee Members at 2023 Committee Meetings						
	Member's Name	Position	14.09.2023	15.10.2023	21.11.2023	03.12.2023
1	Nader Ibrahim Al-Wehibi	Chairman	✓	✓	✓	✓
2	Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓
3	Mona Mohammed Al-Taweel	Member	✓	✓	✓	✓
4	Abdul Rahman Ismail Tarabzouni	Member	✓	✓	✓	✓
5	Yasser Abdullah Al-Salman	Member	✓	✓	✓	✓

2. Audit Committee

Main Duties and Responsibilities

The responsibilities of the Audit Committee encompass overseeing financial reporting, ensuring compliance with laws and regulations, monitoring the effectiveness and efficiency of the internal control system, recommending auditors, examining and reviewing interim and annual financial statements, and providing recommendations to the Board of Directors regarding these statements.

The Audit Committee comprises 5 members, with 3 external members: Mr. Tariq Abdullah Al-Qaraawy, Mr. Eid Faleh Al-Shamri, and Dr. Waddah Ibrahim Al Sheikh Mubarak. Its establishment was decided upon by the General Assembly on 23 October, 2022. During 2023, the Committee conducted 9 meetings, maintaining an attendance rate of 100%.

Audit Committee Meetings in 2023

Attendance Records of Audit Committee Members at 2023 Committee Meetings						
	Member's Name	Position	12.02.2023	29.03.2023	01.05.2023	29.05.2023
1	Jamal Abdul-Karim Al-Rammah	Chairman	✓	✓	✓	✓
2	Mona Mohammed Al-Taweel	Member	✓	✓	✓	✓
3	Tariq Abdullah Al-Qaraawy	External Member	✓	✓	✓	✓
4	Eid Faleh Al-Shamri	External Member	✓	✓	✓	✓
5	Waddah Ibrahim Al Sheikh Mubarak	External Member	✓	✓	✓	✓

Attendance Records of Audit Committee Members at 2023 Committee Meetings						
	Member's Name	Position	18.07.2023	12.09.2023	19.10.2023	14.11.2023
1	Jamal Abdul-Karim Al-Rammah	Chairman	✓	✓	✓	✓
2	Mona Mohammed Al-Taweel	Member	✓	✓	✓	✓
3	Tariq Abdullah Al-Qaraawy	External Member	✓	✓	✓	✓
4	Eid Faleh Al-Shamri	External Member	✓	✓	✓	✓
5	Waddah Ibrahim Al Sheikh Mubarak	External Member	✓	✓	✓	✓

Attendance Records of Audit Committee Members at 2023 Committee Meetings			
	Member's Name	Position	26.12.2023
1	Jamal Abdul-Karim Al-Rammah	Chairman	✓
2	Mona Mohammed Al-Taweel	Member	✓
3	Tariq Abdullah Al-Qaraawy	External Member	✓
4	Eid Faleh Al-Shamri	External Member	✓
5	Waddah Ibrahim Al Sheikh Mubarak	External Member	✓

3. Risk Management Committee**Main Duties and Responsibilities**

The Risk Management Committee supports the Board of Directors in fulfilling its responsibilities by comprehensively overseeing the Bank's risk strategy. This involves reviewing acceptable risk thresholds, providing recommendations to the Board, and monitoring the Executive Management's adherence to the risk limits approved by the Board. In this capacity, the Committee may review all facets and categories of risks faced by the Bank, assess the Executive Management's adherence to the regulatory controls governing these risks, and verify the sufficiency of the measures implemented to mitigate them. The Risk Management Committee is composed of 3 members, with Eng. Abdul Latif Ali Al-Rasheed as an external member. Throughout 2023, the Committee held 6 meetings with an attendance rate of 100%.

Risk Management Committee Meetings in 2023

Attendance Records of Risk Management Committee Members at 2023 Committee Meetings								
	Member's Name	Position	13.02.2023	11.04.2023	13.06.2023	07.08.2023	08.10.2023	19.12.2023
1	Hani Abdullah Al-Johani	Chairman	✓	✓	✓	✓	✓	✓
2	Jamal Abdul-Karim Al-Rammah	Member	✓	✓	✓	✓	✓	✓
3	Abdul Latif Ali Al-Rasheed	External Member	✓	✓	✓	✓	✓	✓

4. Nomination and Remuneration Committee**Main Duties and Responsibilities**

The Nomination and Remuneration Committee assists the Board of Directors in governance matters and formulates a compensation policy for Board members, Committee members, and senior Management officials. It conducts regular policy reviews to assess its adequacy, effectiveness, and alignment with defined objectives, ensuring compliance with regulations set by the Central Bank of Saudi Arabia. Furthermore, the Committee evaluates different compensation payment methods.

The Nomination and Remuneration Committee establishes the nomination and selection policy for Board membership, ensuring compliance with the statutory requirements outlined in relevant regulations. The Committee consists of 5 members, including 2 external members, namely Eng. Ahmad Mohammed Al-Falih and Mr. Ali Ahmed Al-Ghamdi, and it held 5 meetings in 2023, with a 100% attendance rate.

Nomination and Remuneration Committee Meetings in 2023

Attendance Records of Nomination and Remuneration Committee Members at 2023 Committee Meetings							
	Member's Name	Position	16.02.2023	24.08.2023	02.10.2023	30.10.2023	09.11.2023
1	Mutaz Kusai AlAzzawi	Chairman	✓	✓	✓	✓	✓
2	Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓
3	Omar Hamad Al-Madhi	Member	✓	✓	✓	✓	✓
4	Ahmad Mohammed Al-Falih	External Member	✓	✓	✓	✓	✓
5	Ali Ahmed Al-Ghamdi	External Member	✓	✓	✓	✓	✓

5. Strategic Planning Group**Main Duties and Responsibilities**

The Strategic Planning Group oversees the formulation of the Bank's strategic directions while monitoring and evaluating progress towards achieving strategic objectives. It extends crucial support to the Board of Directors in strategic planning processes and strategic matters like business development and expansion. Additionally, the Group monitors the Bank's advancement towards its long-term financial and strategic objectives. The Group consists of 5 members, and it held 2 meetings in 2023, maintaining an attendance rate of 100%.

Strategic Planning Group Meetings in 2023

Attendance Record of Strategic Planning Group Members at 2023 Group Meetings				
	Member's Name	Position	22.03.2023	28.11.2023
1	Abdullah Mohammed Al-Issa	Chairman	✓	✓
2	Ibrahim Hassan Sharbatly	Member	✓	✓
3	Abdul Rahman Ismail Tarabzouni	Member	✓	✓
4	Omar Hamad Al-Madhi	Member	✓	✓
5	Hani Abdullah Al-Johani	Member	✓	✓

Board of Directors

**Abdullah Mohammed
Al-Issa**



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 - 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

- Chairman of the Board of Directors - Abdullah Mohammed Al-Issa Engineering Consulting Office
- 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**



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**



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 - Saudi Arabian Marketing and Agencies Company Ltd. (SAMA-CO)
- Vice Chairman of the Board of Directors - Fast Auto Technology Company Limited (FAST)
- Vice Chairman of the Board of Directors - Al-Ameen Distinctive for Urban Development
- Vice Chairman of the Board of Directors - Al-Ameen Distinctive for Real Estate Investment
- Board Member - Smile Communications, Africa

Previous Positions

- Board Member - Commercial Union for Cooperative Insurance
- Vice Chairman of the Board of Directors - Jeddah Holding Development Company
- Board Member - Golden Coast, Egypt
- Board Member - The National Shipping Company of Saudi Arabia

Qualifications

- Bachelor of Business Administration - College of Commerce and Business Administration, Bristol, UK

**Jamal Abdul-Karim
Al-Rammah**



Memberships in Other Listed Joint Stock Companies (inside the Kingdom)

- Board Member - Riyadh Bank

Current Positions

-

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 - University of Basrah
- Attended a number of management and finance programs at many international and domestic universities and institutions

**Abdul Rahman Ismail
Tarabzouni**



**Memberships in Other Listed Joint Stock Companies
(inside the Kingdom)**

- Board Member - Riyad Bank
- Board Member - Jarir Marketing Company (Jarir Bookstore)

Current Positions

- CEO and Founder - STV
- Member of the Board of Trustees - King Fahd National Library

Previous Positions

- Chairman and Founder - Saudi Arabia's Venture Capital and Private Equity Association
- Board Member - Saudi Digital Payments Company (stc pay)
- Board Member - Saudi Technology Development and Investment Company (Taqnia)
- Board Member - Careem
- 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
- Chairman of the Board of Directors - Tasaru Mobility Investments
- Vice Chairman of the Board of Directors - Saudi Fund of Funds Company (Jada)
- Vice Chairman of the Board of Directors - Regional Voluntary Carbon Market Company
- Board Member - Saudi Arabian Industrial Investment Company (Dussur)
- Board Member - El Seif Engineering Contracting
- Board Member and Chairman of the Executive Committee - Saudi Military Industries Company (SAMI)
- Chairman of the Investment Committee - Industrial Electronics Company (ICE)
- Chairman of the Technical Investment Committee - Ceer Motors
- Chairman of the Board of Directors - Awad Capital, United Arab Emirates
- Chairman of the Board of Directors - Iliad Partners Tech Ventures, United Arab Emirates

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 Arabian Oil Company (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

- -

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

**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

Previous Positions

- Board Member - Mudad Business Company
- 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 the 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

**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 - Osool Integrated Real Estate Co.
- Audit Committee Member - Raza Company

Previous Positions

- Audit Committee Member - Umm Al Qura for Development and Construction
- 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

Current Positions

- Head of the General Department of Finance - Public Investment Fund
- Board Member - Saudi Military Industries Company (SAMI)
- Vice Chairman of the Board of Directors - King Abdullah Financial District Company (KAJD)
- Board Member - Saudi Agricultural and Livestock Investment Company (SALIC)
- Board Member - Water Solutions Company
- Member of the Audit Committee - NEOM
- Member of the Audit and Risk Committee - Qiddiya Investment Company
- Member of the Audit Committee - Saudi Entertainment Ventures (SEVEN)

Previous Positions

- Board Member - National Maritime Transport Company
- Board Member - National Water Company (NWC)
- 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

Qualifications

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

Executive Management

Tareq Abdulrahman Al Sadhan
Chief Executive Officer



Previous positions

- Senior Executive Vice President and Chief Financial Officer - Riyadh Bank
- Advisor to the Chairman - Saudi Fund for Development (SFD)
- Acting Director General - General Authority of Zakat and Tax (GAZT)

Qualifications

- Master of Business Management - Ecole National des Ponts et Chaussées, France
- Bachelor of Accounting ACA - King Saud University, Kingdom of Saudi Arabia

Mohammed Abo Al-Naja
Chief Corporate Banking Officer



Previous positions

- Executive Vice President and Head of Corporate Banking Service - Riyadh Bank
- Executive Vice President, Corporate Banking Service - Riyadh Bank
- Senior Vice President, Manager Multinationals - Riyadh Bank
- Regional Director of Corporate Banking, Central Region - Riyadh Bank
- Senior Manager, Corporate and Investment Banking - SAMBA Financial Group
- Senior Relationship Manager - Riyadh Bank

Qualifications

- Bachelor of Law - King Saud University, Kingdom of Saudi Arabia

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-KorayaChief of Treasury and Investment
(CTIO)**Previous positions**

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

Qualifications

- Master of Business Administration - University of California, USA
- Bachelor of Civil Engineering - University of California, USA

Abdullah Ali Al-Oraini

Chief Financial Officer

**Previous positions**

- Chief Financial Officer - Alawwal Bank
- Head of Reporting, Asset and Liability Management and Investor Relations Department - Saudi British Bank (SABB)
- Head of Capital and Liquidity Management - National Commercial Bank (NCB)
- 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 (COO)

**Previous positions**

- EVP of Operations - Riyadh Bank
- Faculty Member - King Saud University
- She assumed several positions at Riyadh Bank from the Operation Support Department to the Customer Call Center to managing the Loans operation, before moving to the Accounts Department. She managed the Comprehensive Services for the Central Region before heading the Operations Sector.

Qualifications

- Bachelor of English Language and Translation - King Saud University

Mazen Mohamed Khalefah

Chief Human Capital Officer

**Previous positions**

- HR General Director - Saudi Central Bank (SAMA)
- Head of Learning and Talents - Saudi British Bank (SABB)
- Senior Manager, Talent and Resources - Saudi British Bank (SABB)
- Head of Talent Acquisition and Employee Development Department - Bank Albilad
- Head of Training Relations Department - National Commercial Bank (NCB)
- Saudization Projects Manager - National Commercial Bank (NCB)

Qualifications

- Bachelor of Industrial Engineering - King Abdulaziz University, Kingdom of Saudi Arabia

Haifa Othman Bin Ahmed

Chief Experience Officer (CXO)

**Previous positions**

- Head of Customer Champion Department - Riyadh Bank
- She assumed various leading roles in the Bank's branches from Customer Service to Branch Manager before moving to the Customer Care Department as Head of the Department. She then held the position of Acting Chief Experience Officer

Qualifications

- Bachelor of Accounting and Business Management - King Saudi University

Mazen Ghassan Pharaon

Chief Digital Officer

**Previous positions**

- Partner - Deloitte ME
- Digital Center Leader - Deloitte
- Chief Technology Officer - Samba Financial Group
- Project Leader for Launch - Alinma Investment Co.
- SPAN2 and PoS Program Leader - SAMA

Qualifications

- Bachelor of Computer Engineering - King Saudi University

Abdulaziz Abdullah Al-Askar
Acting Chief Risk Officer



- Previous positions**
- Executive Vice President – Enterprise Risk Management – Riyadh Bank
 - Executive Vice President- Corporate Credit – Riyadh Bank
 - Manager, Credit Review and Approval Department – Riyadh Bank
 - Credit Manager – Riyadh Bank
 - Assistant Credit Officer – Riyadh Bank
 - Banker (Credit) – Riyadh Bank

- Qualifications**
- Bachelor of Administrative Science – King Saud University

Ahmed Rabie Al-Rowaili
General Counsel



- Previous positions**
- Chief Governance Officer and Secretary of the Board of Directors – SNB
- Qualifications**
- Master of Law – Seattle University, USA
 - Bachelor of Administrative Science – King Saud University

Hanadi Abdulrahman Al-Sheikh
Chief Transformation Officer



- Previous positions**
- General Manager of Strategy – Tadawul
- Qualifications**
- Bachelor of Sciences – Washington University

Fawaz Naif AlKassar
Chief Internal Auditor



- Qualifications**
- Master of Business Administration – University of Oregon, USA



Qualifications and Experience of External Committee Members

Names of Committee Members	Current Positions	Previous Positions	Qualifications
Audit Committee			
1	Tariq Abdullah Al-Qaraawy	<ul style="list-style-type: none"> Audit Committee Member Riyadh Bank Vice Chairman of the Board of Directors Amana Cooperative Insurance Company Audit Committee Member Savola Group Board Member, Financial Investment Funds Osool and Bakheet Investment Company Board Member Evening Cups for Beverages Co Board Member OceanX 	<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 and Corporate Banking SABB Bank Relationship Officer, Corporate Banking The Saudi Investment Bank
2	Eid Faleh Al-Shamri	<ul style="list-style-type: none"> Board Member and Chairman of the Audit Committee Fawaz Abdulaziz Alhokair and Partners Company 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"> 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 Bachelor of Science in Industrial Management King Fahd University of Petroleum and Minerals American Board of Chartered Accountants Fellowship AICPA Member since 1995

Names of Committee Members	Current Positions	Previous Positions	Qualifications
Audit Committee			
3	Waddah Ibrahim Al Sheikh Mubarak	<ul style="list-style-type: none"> Audit Committee Member Riyadh Bank Vice Chairman of the Executive Committee Majd Investment Assistant Professor King Faisal University Member of the Executive Committee of the Investment Fund King Faisal University 	<ul style="list-style-type: none"> Head of Finance Department King Faisal University Lecturer King Faisal University Teaching Assistant King Faisal University Executive Supply Chain Representative SABIC Vice Dean of the College of Applied Studies King Faisal University
Nomination and Remuneration Committee			
1	Ahmad Mohammed Al-Falih	<ul style="list-style-type: none"> Nomination and Remuneration Committee Member Riyadh Bank Vice Chairman of the Board of Directors, Member of the Executive Committee, and Chairman of the Nominations and Remuneration Committee Al Jouf Cement Company Board Member, Member of the Executive Committee, and Chairman of the Nominations Committee Herfy Food Services Company Board Member, Managing Director, and Member of the Nominations and Remuneration Committee Binladin International Holding Group Chairman of the Executive Committee of the Contracting Sector Saudi Binladin Group Chairman of the Executive Committee of the Maintenance Sector Saudi Services Company Limited Board Member Technical United 	<ul style="list-style-type: none"> Board Member and Executive Director The Leading Commercial Representation Company Board Member Mohammed Saleh Al-Sultan Consulting Professionals 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 General Manager Al-Mashreq Contracting Company General Manager Olayan Food Services Company President Tiné Company International Vice President Riyadh International Catering Corp. (McDonald's) Vice President, Financial and Administrative Affairs Saudi Company for Operation and Maintenance Project Engineer Ministry of Health Project Engineer Ibn Al-Bitar Company (SABIC)

Names of Committee Members				
	Current Positions	Previous Positions	Qualifications	
Nomination and Remuneration Committee				
2	Ali Ahmed Al-Ghamdi	<ul style="list-style-type: none">Nomination and Remuneration Committee Member Riyadh BankGeneral Manager, Executive Benefits and Compensation and Human Resources Business Partner Saudi Basic Industries Corporation (SABIC)Board Member Hadeed Company (SABIC)Board Member Petrokemya (SABIC subsidiary)	<ul style="list-style-type: none">Board Member Gulf Petrochemical Industries CompanyExecutive 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

Names of Committee Members				
	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 BankDirector General, Cyber Security Saudi Air Navigation Services	<ul style="list-style-type: none">Head, Cyber Security Engie CorporationHead, Cyber Security Project Saudi Arabian Oil Company (Aramco)	<ul style="list-style-type: none">Master of Information Security Georgia Institute of Technology, USABachelor of Computer Engineering University of New Haven

Evaluating the performance of the Board of Directors and its Committees

The Board of Directors engages an external entity to assess the performance of both the Board and its Committees. This evaluation involves members participating in thorough and comprehensive questionnaires aligned with international governance best practices. The goal is to pinpoint strengths and weaknesses, thereby enhancing the overall effectiveness of the Board 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

This process involves documenting the proposals received from Shareholders during the General Assembly meetings. Additionally, if the Bank receives any other proposals, they are communicated to the Chairman of the Board of Directors to be presented at the upcoming meeting and documented in the Board's minutes, if applicable.

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 conflicts between the Audit Committee's recommendations and the Board's decisions, and the Board did not reject any recommendations related to the appointment, dismissal, fee determination, or performance evaluation of Riyadh Bank's Auditor.

Compensation of the members of the Board of Directors, its Committees, and Senior Executives in 2023

The compensation granted to Riyadh Bank's Board of Directors, its Committees, and Senior Executives conforms to guidelines mandated by regulatory authorities. It is generally governed by the rules of defining and paying compensation to members of the Board of Directors and its Committees in financial institutions and the compensation regulations for banks outlined by the Saudi Central Bank, the Key Principles of Governance in Financial Institutions under the Control and Supervision of the Saudi Central Bank, the Corporate Governance Regulations outlined by the Capital Market Authority, the Companies Law administered by the Ministry of Commerce, and provisions detailed in the Bank's Articles of Association.

Upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors establishes the compensation framework for Senior Executives. This ensures alignment with the strategic objectives of the Bank and aims to effectively incentivize Senior Executives towards achieving these objectives.

Compensation of Board Members

		Fixed Compensation							Variable Compensation	End of Service Benefits	Gross Total	Expense Allowance*** (SAR 000's)
		Specific Amount*	Board Meetings Attendance Allowance	Total Attendance Allowance for Committees**	In-kind Benefits	Compensation of Technical, Administrative, and Consulting Duties	Compensation of the Chairman, Managing Director, or Secretary if he is a Member	Total				
Independent Members	Mutaz Kusai AlAzzawi	1,450	35	95	-	-	-	1,580	-	-	1,580	15.81
	Ibrahim Hassan Sharbatly	1,200	35	15	-	-	-	1,250	-	-	1,250	15.76
	Jamal Abdul-Karim Al-Rammah	1,450	35	90	-	-	-	1,575	-	-	1,575	36.47
	Abdul Rahman Ismail Tarabzouni	1,400	35	65	-	-	-	1,500	-	-	1,500	8.81
	Mona Mohammed Al-Taweel	1,400	35	115	-	-	-	1,550	-	-	1,550	10.06
	Independent Members	6,900	175	380	-	-	-	7,455	-	-	7,455	86.91
Non-Executive Members	Abdullah Mohammed Al-Issa	1,250	35	15	-	-	4,500	5,800	-	-	5,800	10.06
	Nader Ibrahim Al-Wehibi	1,450	35	90	-	-	-	1,575	-	-	1,575	8.30
	Omar Hamad Al-Madhi	1,400	35	40	-	-	-	1,475	-	-	1,475	-
	Yasser Abdullah Al-Salman	1,200	35	60	-	-	-	1,295	-	-	1,295	2.89
	Hani Abdullah Al-Johani	1,450	35	50	-	-	-	1,535	-	-	1,535	-
	Non-Executive Members	6,750	175	255	-	-	4,500	11,680	-	-	11,680	22.11
Total		13,650	350	635	-	-	4,500	19,135	-	-	19,135	109.02

* The compensation for members of the Board of Directors is SAR 1,000,000 for each member, and the additional compensation for the Chairman of the Board of Directors is SAR 4,500,000. Additionally, the compensation for each Committee membership is SAR 200,000 for each Committee member, and the additional compensation for the Chairman of each Committee is SAR 50,000.

**The allowance allocated for attending Board Committee meetings incorporates compensation for Board members who, although not officially part of these Committees, receive invitations to attend such sessions from the Committees. Consequently, the total compensation each member receives for participating in Committee meetings might differ from the other statement of the allowance allocated for attendance by Committee members.

***The expenses allowance encompasses transportation and accommodation expenses incurred by members of the Board of Directors and its Committees.

Remuneration of members of Committees emanating from the Board of Directors

	Member's Name	Fixed Compensation (except for the allowance for attending meetings)	Allowance for Attending Meetings	Total	Expense Allowance*
Executive Committee Members					
1	Nader Ibrahim Al-Wehibi	250	60	310	-
2	Mutaz Kusai AlAzzawi	200	60	260	-
3	Abdul Rahman Ismail Tarabzouni	200	55	255	-
4	Mona Mohammed Al-Taweel	200	60	260	-
5	Yasser Abdullah Al-Salman	200	60	260	-
	Total	1,050	295	1,345	-
Audit Committee Members					
1	Jamal Abdul-Karim Al-Rammah	250	45	295	-
2	Mona Mohammed Al-Taweel	200	45	245	-
3	Tariq Abdullah Al-Qaraawy (External)	200	45	245	-
4	Eid Faleh Al-Shamri (External)	200	45	245	-
5	Waddah Ibrahim Al Sheikh Mubarak (External)	200	45	245	2.72
	Total	1,050	225	1,275	2.72
Risk Management Committee Members					
1	Hani Abdullah Al-Johani	250	30	280	-
2	Jamal Abdul-Karim Al-Rammah	200	30	230	-
3	Abdul Latif Ali Al-Rasheed (External)	200	30	230	-
	Total	650	90	740	-
Nomination and Remuneration Committee Members					
1	Mutaz Kusai AlAzzawi	250	25	275	-
2	Nader Ibrahim Al-Wehibi	200	25	225	-
3	Omar Hamad Al-Madhi	200	25	225	-
4	Ahmad Mohammed Al-Falih (External)	200	25	225	-
5	Ali Ahmed Al-Ghamdi (External)	200	25	225	3.51
	Total	1,050	125	1,175	3.51
Strategic Planning Group Members					
1	Abdullah Mohammed Al-Issa	250	10	260	-
2	Ibrahim Hassan Sharbatly	200	10	210	-
3	Abdul Rahman Ismail Tarabzouni	200	10	210	-
4	Omar Hamad Al-Madhi	200	10	210	-
5	Hani Abdullah Al-Johani	200	10	210	-
	Total	1,050	50	1,100	-
	Members of the Committees emanating from the Board of Directors**	4,850	785	5,635	6.23

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

** The numbers in the table for Committees' external members above are based on the remuneration policy which will be proposed for approval in the upcoming AGM on 24 March, 2024.

Salary and Compensation Statement for 6 Senior Executives (including the CEO and CFO)

Description	SAR 000's
Fixed Compensations	
Wages	12,354
Allowances	1,812
In-Kind Benefits	213
Total	14,378
Variable Compensations	
Periodic Compensations	23,759
Profits	-
Short-Term Motivation Plan	-
Long-Term Motivation Plan	6,301
Stock Dividends	-
Total	30,060
End-of-Service Gratuity	6,371
Total Executives Compensation of the BoD, if available	-
Combined Total	50,810

Assignment of Interests by Shareholders, Board Members, or Senior Executives

- There are no arrangements or agreements regarding waiving salaries or compensation for Board members or Senior Executives.
- There are no arrangements or agreements where Riyadh Bank's Shareholders have waived rights to their entitled profits within the Bank.

On 7 August, 2023, Riyadh Bank disbursed dividends to Shareholders at 65 halalas per share for the first half of 2023. Upon approval by the General Assembly, the remaining dividends will be distributed to Shareholders for the second half of the year 2023 at a rate of 75 halalas per share. This will result in a combined distribution of SAR 4,193 Mn. for 2023, equivalent to SAR 1.4 per share, constituting 14% of the nominal share value after Zakat deductions.

Changes to Major Shareholders Ownership

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, 2023:

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	311,714,495	311,714,495	-	0.00%	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 Riyadh Bank's Saudi Stock Exchange (Tadawul) records by the end of Tadawul's session on 31 December, 2023.

Ownership of Riyadh Bank Shares by the Board Members, Senior Executives, or their Wives and Minors, and the Changes during 2023

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	% Change	Debt Instruments
Abdullah Mohammed Al-Issa	1,262,000	1,262,000	-	-	-
Relatives of Abdullah Mohammed Al-Issa	26,603,784	26,214,784	(389,000)	(1.5%)	-
Jamal Abdul-Karim AlRammah	1,142	1,142	-	-	-
Relatives of Jamal Abdul-Karim AlRammah	-	-	-	-	-
Ibrahim Hassan Sharbatly	694,508	694,508	-	-	-
Relatives of Ibrahim Hassan Sharbatly	894,722	798,008	(96,714)	(10.8%)	-
Hany Abdullah Al-Johany	-	-	-	-	-
Relatives of Hany Abdullah Al-Johany	-	-	-	-	-
Yasser Abdullah Al-Salman	-	-	-	-	-
Relatives of Yasser Abdullah Al-Salman	-	-	-	-	-
Mona Mohammed Al-Tawil	32,000	32,000	-	-	-
Relatives of Mona Mohammed Al-Tawil	624,400	624,400	2,000	0.3%	-
Omar Hamad Al-Madhi	-	-	-	-	-
Relatives of Omar Hamad Al-Madhi	-	-	-	-	-
Abdulrahman Ismail Tarabzouni	10	0	(10)	(100%)	-
Relatives of Abdulrahman Ismail Tarabzouni	-	-	-	-	-
Mutaz Kusai AlAzzawi	1,347,000	1,347,000	-	-	-
Relatives of Mutaz Kusai AlAzzawi	1,741,200	1,741,200	-	-	-
Nader Ibrahim AlWehibi	-	-	-	-	-
Relatives of Nader Ibrahim AlWehibi	-	-	-	-	-

B. Senior Executives, their Spouses and Minor Children

Position	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	% Change	Debt Instruments
Chief Executive Officer (CEO)	Tareq Abdulrahman Al Sadhan	-	-	-	-	-
	Relatives of Tareq Abdulrahman Al Sadhan	-	-	-	-	-
Chief Retail Banking Officer	Waleed Khalid Al-Dhubaib	0	478	478	100%	-
	Relatives of Waleed Khalid Al-Dhubaib	-	-	-	-	-
Chief Corporate Banking Officer	Mohammed Abo Al-Naja	-	-	-	-	-
	Relatives of Mohammed Abo Al-Naja	3,000	2,000	(1,000)	(33%)	-
Chief of Treasury and Investment	Nadir Sami Al-Koraya	-	-	-	-	-
	Relatives of Nadir Sami Al-Koraya	2,010	2,257	247	12.3%	-
Chief Financial Officer	Abdullah Ali Al-Oraini	0	40,000	40,000	100%	-
	Relatives Abdullah Ali Al-Oraini	25	716	691	2,764%	-
Chief Operating Officer (COO)	Enji Ahmed Al-Ghazzawi	-	-	-	-	-
	Relatives of Enji Ahmed Al-Ghazzawi	0	1,000	1,000	100%	-
Chief Digital Officer	Mazen Ghassan Pharaon	-	-	-	-	-
	Relatives of Mazen Ghassan Pharaon	-	-	-	-	-
Chief Human Capital Officer	Mazen Mohamed Khalefah	-	-	-	-	-
	Relatives of Mazen Mohamed Khalefah	-	-	-	-	-
Acting Chief Risk Officer	Abdulaziz Abdullah Al-Askar	-	-	-	-	-
	Relatives of Abdulaziz Abdullah Al-Askar	-	-	-	-	-
Chief Experience Officer (CXO)	Haifa Othman Bin Ahmed	-	-	-	-	-
	Relatives of Haifa Othman Bin Ahmed	0	9,966	9,966	100%	-
Chief Transformation Officer	Hanadi Abdulrahman A Al-Sheikh	-	-	-	-	-
	Relatives of Hanadi Abdulrahman A Al-Sheikh	-	-	-	-	-
General Counsel	Ahmed Rabie Al-Rowaili	-	-	-	-	-
	Relatives of Ahmed Rabie Al-Rowaili	-	-	-	-	-
Chief Internal Auditor	Fawaz Naif AlKassar	-	-	-	-	-
	Relatives of Fawaz Naif AlKassar	-	-	-	-	-

General Assemblies Held during the Year 2023

In 2023, Riyadh Bank convened one Extraordinary General Assembly for Shareholders on 04/09/1444H, corresponding to 26 March, 2023. Below is the attendance record of the Board members for this meeting.

Name	Attendance	
	Extraordinary General Assembly Held on 26.03.2023	
Abdullah Mohammed Al-Issa		✓
Mutaz Kusai AlAzzawi		✓
Ibrahim Hassan Sharbatly		✓
Abdul Rahman Ismail Tarabzouni		✓
Omar Hamad Al-Madhi		✓
Mona Mohammed Al-Taweel		✓
Hani Abdullah Al-Johani		✓
Nader Ibrahim Al-Wehibi		✓
Yasser Abdullah Al-Salman		Could not attend

Number of Riyadh Bank’s Requests for Shareholders’ Records, their Dates, and Reasons during 2023

Date of the Request	Reason
08.01.2023	Corporate actions
02.03.2023	Corporate actions
04.03.2023	Corporate actions
05.03.2023	Corporate actions
24.03.2023	General assembly
28.03.2023	Profits file
30.07.2023	Profits file
03.09.2023	Corporate actions
04.09.2023	Corporate actions
06.09.2023	Corporate actions
01.11.2023	Corporate actions

Assurances of the Board of Directors

- The accounting records have been meticulously prepared and are accurate.
- The internal control system was established on robust foundations and has been effectively implemented.
- There is unequivocal confidence in Riyadh Bank's ongoing operational capabilities.
- Concerning contracts involving Riyadh Bank, neither the Chairman, Board members, the CEO, the Chief Financial Officer, nor any individual closely associated with them, has or had a significant interest in such contracts, except as disclosed in the statement of transactions with related parties.
- There is no conflict of interest between the Company's activities or any of its branches and the business pursuits of any Board member, past or present.

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 2023.

External Auditors

During its convened session on 26 March, 2023, the Ordinary General Assembly of Riyadh Bank approved the appointment of Ernst & Young and PricewaterhouseCoopers as the Bank's external auditors for the fiscal year ending on 31 December, 2023. Subsequently, in its forthcoming meeting, the General Assembly will deliberate on the potential reappointment or substitution of the current auditors and determine the auditing fees for assessing Riyadh Bank's financial statements for the fiscal year ending on 31 December, 2023. This will be decided after reviewing the Board of Directors' recommendation, which is in turn based on the Audit Committee's recommendation.

Auditors’ Reservations on the Annual Financial Statements

The Auditors' Report confirms the absence of material errors within the financial statements and does not express any reservations concerning their accuracy or integrity.

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

The Board of Directors did not recommend replacing the Auditors before the conclusion of their appointed term.

Corporate Governance

Riyad Bank remains dedicated to applying the provisions stipulated in the Corporate Governance Regulations established by the Capital Market Authority, the Main Principles of Governance for Banks Operating in Saudi Arabia, and the directives set forth by the Saudi Arabian Monetary Authority. The Bank is steadfast in its commitment to comply with all governance regulations, ensuring ongoing alignment with any advancements in this domain. Moreover, Riyadh Bank updates pertinent policies and procedures in response to the issuance of new regulatory developments as necessitated.



Compliance

Compliance Statement in Riyadh Bank

Riyad Bank 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 the Saudi Central Bank (SAMA). It was established according to the provisions of the Companies Law and its regulations, Banking Control Law, and Capital Market Law. Riyad Bank is committed to protect its professional practice, clients, and entities by adhering to the applicable laws and regulations and complying with the 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 to protect the Bank's interests and reduce the risk of non-compliance with the requirements, regulations, and instructions. In addition, it is the Compliance Group's role to enhance and maintain the confidence of Riyad Bank's integrity and reputation. Riyad Bank provides 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 takes place periodically and continuously in order to avoid non-compliance via issuing internal policies and procedures that must be followed by all Riyad Bank's employees and Stakeholders. Riyad Bank has zero tolerance towards any violation or non-compliance with the policies. The Bank has also implemented a code of conduct that is mandatory for all employees and concerned Stakeholders to fully comply with.

Code of Ethics and Conduct Policy

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

Anti-Money Laundering and Terrorist Financing Statement

Riyad Bank is firmly committed to encourage highest possible standards in combating money laundering and terrorist financing activities. The Bank 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 either by the Saudi Central Bank (SAMA), or the relevant international organizations.

Additionally, Riyad Bank has implemented a program to combat money laundering and terrorist financing to prevent the use of the Bank's branches either for retail or corporate, trade finance centers, the Bank's 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 is ensuring compliance with global requirements, including the Financial Action Task Force (FATF) recommendations, local laws, as well as the Saudi Central Bank (SAMA) and other regulatory requirements to prevent illegal transactions or activities.

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

Gifts, Benefits, and Entertainment Policy

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 is 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

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 by employees.

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

Conflict of Interest Policy

Riyad Bank has a firmly committed 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

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

Know Your Customer Program

Riyad Bank implemented KYC procedures to ensure all customer information is well defined. The Bank required all its customers to present a valid and updated identity document based on the applicable requirements. We 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.

The Bank prevents accounts being opened by anonymous, numbered, non-resident individuals or entities in the country, and do not engage in any relationships with shell banks.

Monitoring Customer Transactions Program

The monitoring of customer's account activities is grounded on the identification of suspicious transactions generated by Riyad Bank's automated monitoring system that is based on updated scenarios and trends of ML typologies, and internal procedures. This allows the authorized officer to take the required action to ensure that the transaction is genuine. The suspicious transactions verification process comprises investigation, examination, and analyzing the cases as well as identifying and taking appropriate measures regarding the AML transactions. The suspicious transactions are reported to the competent authorities inside and outside the Bank and we apply the necessary follow-up. Riyad Bank takes into consideration rectifying the violated accounts to comply with the applicable laws and regulations, identifying proper corrective action plans for the aforementioned accounts as well as provides and develops highly efficient programs and systems for monitoring.

Stress Testing on Anti-Money Laundering

Riyad Bank 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. A comprehensive risk register of the AML and CTF risks that the Bank may exposed to has also been established. In addition, Riyad Bank identifies the gaps or weaknesses that occur internally and mitigates the impacts periodically.

Sanction Program

We have 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 the Saudi Central Bank (SAMA). The system implemented is to support Riyad Bank 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 individuals, entities, or related parties.

Training and Awareness

Training and awareness are the fundamental tools to develop a robust compliance culture and is considered one of the main responsibilities of Compliance. Based on Riyad Bank's training policy and the applicable regulations, we provide periodic training to all employees, including the Board of Directors, sub-committees, senior Management, and the new hires. The training covers all issues related to anti-money laundering and combating terrorist financing to ensure all employees are informed of the applicable regulations, instructions, and developments. In addition, tailored training is provided to the high risk and critical roles at Riyad Bank.

We utilize several channels to provide training and awareness such as the E-learning platform, classroom, and through SMS and the Bank's intranet and social media.

FATCA and CRS Statement

Riyad Bank has implemented Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) policies with the intention to report on all our customers, business, and employees. The policies provide an outline of the legislative and regulatory obligations which the Bank must adhere to in order to protect the reputation and financial position of Riyad Bank and its Stakeholders. This ensures, to the fullest extent possible, that we are complying with the specific provisions of FATCA and CRS.

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

Anti-Bribery and Corruption and Financial Fraud Statement

Riyad Bank has implemented Anti-Bribery and Corruption, and Financial Fraud policies to ensure that the Bank is applying a comprehensive mechanism to combat bribery, corruption, and financial

fraud. Moreover, 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 Bank's Stakeholders. In addition, the Board of Directors provide an oversight to the anti-bribery, corruption, and financial fraud mechanisms and strategies implemented by the Bank, and any other relevant policies.

The Bank also 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 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 all parties can report all forms of non-compliance.

A whistleblowing policy has been implemented, which is intended to ensure that all employees and Stakeholders feel supported in speaking up in confidence, and reporting matters that they suspect may involve improper, unethical, or inappropriate conduct and alike within the Bank.

The policy is intended to enable those who become aware of wrongdoing 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 retaliatory, intimidating, or threatening conduct, and ensures that reports are examined with high levels of professionalism.

The Whistleblowing form is available through the following link:



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

For more information about Riyad Bank please refer to our official website at <https://www.riyadbank.com/>

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 an 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 ensures 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

The Enterprise Risk Management Framework (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. Strategic risk objectives, containing a full suite of quantitative metrics and qualitative statements 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 eco system 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.

Real Estate Finance Risk

The Bank's total outstanding residential real estate finance portfolio as of 31 December, 2023 was SAR 64 Bn.. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the Bank's internal risk management framework.

Following are the different types of insurance covers that the Bank has utilized to hedge various risks associated with its residential real estate finance portfolio.

- i. **Life Insurance:** The life insurance provides financial protection in the event of death resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount from insurance company.
- ii. **Disability Insurance:** The disability insurance provides financial protection to recover the outstanding financing amount if the policyholder becomes fully and permanently disabled and is unable to work or engage in an income earning activity.
- iii. **Property Insurance:** Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected/unforeseen events.

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 Risk

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. The Bank can then 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

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 to incorporate 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 change 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 awareness programs 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 of the types of fraud they may face and how to report them.

Operational Risk

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. They include, performing an independent view of the identified risks by business unit and designing an effective test of key controls and risk tolerance, in addition to monitoring and reporting of the operational risk profile, operational risk training and raising risk awareness. Also, there is 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, and 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 Risk Management.
- Enhancing awareness and knowledge of different risks in the Bank.

Technology Risk

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 supports 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:

- Defining and monitoring 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.
- Reviewing points of high technology risks with documenting controls and work mechanisms, identifying potential gaps, and recommending proposals for improvement and development.
- Submitting an annual risk assessment, control testing, and annual verification plan.

- Assessing high-risk systems and applications in coordination with the concerned departments.
- Submitting periodic reports on the performance of business technology risk activities within the framework of risk tolerance to the relevant Committees.
- Supervising 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

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 a well-established internal control system to ensure an effective internal control environment, in line with the 'Guidelines on Internal Control' issued by SAMA. The system acts to ensure that strategic goals are achieved by protecting the Bank's assets and guaranteeing operations are carried out pursuant to applicable guidelines. Internal controls include clear 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, and information security are appropriately managed.

Bank employees and departments 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. Meanwhile, the Internal Audit Department independently assesses the adequacy and efficiency of the internal control environment, by ensuring all applicable policies and procedures are implemented and practiced appropriately.

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



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Riyad Bank
implemented its
strategy, achieving
record financial
results during
remarkable growth
and innovation.

Independent Auditors' Report

To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company)



Ernst & Young
Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 - Five million five hundred thousand Saudi Riyal)

Head Office
Al Faisaliah Office Tower, 14th Floor King Fahad Road,
P.O. Box 2732 Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821
Tel: +966 11 2159898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyadh Bank (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy 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, 2023, 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 that 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 As at December 31, 2023, the gross loans and advances of the Group were SAR 279.32 billion against which an expected credit loss (“ECL”) allowance of SAR 4.92 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:	<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 Information Technology “IT” general and application controls) over:

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
<p>1. Categorisation of loans and advances into Stages 1, 2 and 3 based on the identification of:</p> <p>(a) exposures with a significant increase in credit risk (“SICR”) since their origination; and</p> <p>(b) individually impaired / defaulted exposures.</p> <p>The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have individually experienced SICR..</p>	<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; and• the integrity of data inputs into the ECL models.
<p>2. 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 probability weightages.</p>	<ul style="list-style-type: none">• For a sample of customers, we assessed:• 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; and for selected loans, we assessed management’s assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.
<p>3. 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.</p> <p>Application of these judgements and estimates, result in estimation uncertainty and the associated audit risk around the ECL calculation as at December 31, 2023.</p> <p><i>Refer to the summary of material 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 34.3 (a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none">• 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, 2023.

Independent Auditors’ Report

To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)
Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of derivative financial instruments</p> <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, 2023, the positive and negative fair value of derivatives held by the Group amounted to SAR 3.67 billion and SAR 3.43 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 31 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 companng 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.

Independent Auditors’ Report

To the Shareholders of Riyadh Bank (A Saudi Joint Stock Company) (continued)

Other information included in the Group’s 2023 Annual Report

Management is responsible for the other information in the Group’s annual report. Other information consists of the information included in the Group’s 2023 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.

When we read the Group’s annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charge with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are 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 management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is 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, that are 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 management.

Independent Auditors' Report

To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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



Bader I. Benmohareb
Certified Public Accountant
License No. 471

For Ernst & Young Professional Services



Rashid S. Roshod
Certified Public Accountant
License No. 366

10 Sha'ban 1445H
(20 February 2024)

Consolidated Statement of Financial Position

As at December 31, 2023 and 2022

	Note	2023 SAR'000	2022 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA), net	4	26,175,226	33,366,652
Due from banks and other financial institutions, net	5	15,433,725	20,613,232
Positive fair value of derivatives	6	3,668,130	3,790,841
Investments, net	7	58,108,824	52,196,120
- Investment at fair value through income statement (FVIS)	7 a)	2,322,845	1,363,419
- Investment at amortised cost, net	7 a)	34,618,204	33,366,959
- Investments at fair value through other comprehensive income(FVOCI)	7 a)	21,167,775	17,465,742
Loans and advances, net	8	274,398,246	242,364,947
Other assets	11	2,547,120	3,175,946
Investment in associates	9	379,941	371,215
Other real estate		670,470	465,249
Property, equipment and right of use assets, net	10	5,467,247	3,308,655
Total assets		386,848,929	359,652,857
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	12	42,464,026	38,760,068
Negative fair value of derivatives	6	3,428,575	2,854,285
Customer deposits	13	254,907,624	240,007,085
Debt securities in issue and term loan	14 a)	13,372,622	8,758,419
Other liabilities	15	12,418,011	13,099,651
Total liabilities		326,590,858	303,479,508
Shareholders' equity			
Share capital	16	30,000,000	30,000,000
Treasury shares	17	(165,912)	
Statutory reserve	18	12,953,515	10,942,054
Other reserves	19	(369,203)	(790,260)
Retained earnings		11,277,171	7,500,430
Proposed dividends	29		1,950,000
Equity attributable to the shareholders of the Bank		53,695,571	49,602,224
Tier 1 Sukuk	14 b)	6,562,500	6,571,125
Total equity		60,258,071	56,173,349
Total liabilities and equity		386,848,929	359,652,857

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

Abdullah A. Al-Oraini
Chief Financial Officer

Nadir S Al-Koraya
Chief Executive Officer

Eng. Abdullah M. Al-Issa
Chairman of the Board

Consolidated Statement of Income

For the years ended December 31, 2023 and 2022

	Note	2023 SAR'000	2022 SAR'000
Special commission income	21	20,606,115	12,907,561
Special commission expense	21	8,191,837	2,855,116
Net special commission income		12,414,278	10,052,445
Fee and commission income	22	3,730,796	3,559,071
Fee and commission expense	22	1,346,175	1,130,404
Fee and commission income, net		2,384,621	2,428,667
Exchange income, net		608,106	633,379
Trading income, net	23	419,944	219,029
Dividend income		40,801	79,861
(Losses)/ gains on disposal of non-trading investments, net	24	(43,630)	121,775
Other operating income	25	74,718	64,210
Total operating income, net		15,898,838	13,599,366
Salaries and employee-related expenses	26	2,542,164	2,257,505
Rent and premises-related expenses		219,979	195,409
Depreciation of property, equipment and right of use assets	10	695,356	540,532
Other general and administrative expenses	27	1,463,518	1,336,308
Other operating expenses		47,607	80,423
Total operating expenses before impairment charge		4,968,624	4,410,177
Impairment charge for credit losses and other financial assets, net	8e)	1,875,464	1,027,400
Impairment charge for investments, net		96,224	253,115
Total operating expenses, net		6,940,312	5,690,692
Net operating income		8,958,526	7,908,674
Share in income (losses) of associates, net		12,273	(80,238)
Income before zakat		8,970,799	7,828,436
Zakat	30	924,955	809,114
Net income		8,045,844	7,019,322
Basic and diluted earnings per share (in SAR)	28	2.58	2.32

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



Abdullah A. Al-Oraini
Chief Financial Officer



Nadir S Al-Koraya
Chief Executive Officer



Eng. Abdullah M. Al-Issa
Chairman of the Board

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2023 and 2022

	2023 SAR'000	2022 SAR'000
Net income	8,045,844	7,019,322
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	211,552	(1,988,932)
- Net amounts transferred to consolidated statement of income	43,630	(86,145)
- Net changes in allowance for expected credit losses (ECL) of debt instruments	98,820	261,430
- Effective portion of net change in fair value of cash flow hedge	(13,118)	149,612
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial (losses) gains on defined benefit plans (note 31 d)	(127,711)	201,103
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments)	207,884	(69,264)
Other comprehensive loss	421,057	(1,532,196)
Total comprehensive income	8,466,901	5,487,126

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



Abdullah A. Al-Oraini
Chief Financial Officer



Nadir S Al-Koraya
Chief Executive Officer



Eng. Abdullah M. Al-Issa
Chairman of the Board

Consolidated Statement of Changes in Equity

For the years ended December 31, 2023 and 2022

SAR'000	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders	Tier 1 sukuk	Total equity
31 December 2023									
Balance at the beginning 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
Total comprehensive income									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	207,884	-	-	207,884	-	207,884
- FVOCI -debt instruments	-	-	-	211,552	-	-	211,552	-	211,552
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	43,630	-	-	43,630	-	43,630
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	-	98,820	-	-	98,820	-	98,820
Actuarial gains (Note 31 d)	-	-	-	(127,711)	-	-	(127,711)	-	(127,711)
Net change in fair value of cash flow hedge	-	-	-	(13,118)	-	-	(13,118)	-	(13,118)
Net income	-	-	-	-	8,045,844	-	8,045,844	-	8,045,844
Total comprehensive income	-	-	-	421,057	8,045,844	-	8,466,901	-	8,466,901
Final dividends paid - 2022(note 29)	-	-	-	-	-	(1,950,000)	(1,950,000)	-	(1,950,000)
Tier 1 sukuk costs	-	-	-	-	(310,416)	-	(310,416)	(8,625)	(319,041)
Treasury shares (note 17)	-	(165,912)	-	-	-	-	(165,912)	-	(165,912)
Interim dividend 2023 (note29)	-	-	-	-	(1,947,226)	-	(1,947,226)	-	(1,947,226)
Transfer to statutory reserve (note 18)	-	-	2,011,461	-	(2,011,461)	-	-	-	-
Balance at the end of the year	30,000,000	(165,912)	12,953,515	(369,203)	11,277,171	-	53,695,571	6,562,500	60,258,071
31 December 2022									
Balance at the beginning of the year	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(note31 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 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	-	-	-	-	-	(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 29)	-	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Transfer to statutory reserve(note 18)	-	-	1,754,830	-	(1,754,830)	-	-	-	-
Final proposed dividend - 2022 (note 29)	-	-	-	-	(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

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



Abdullah A. Al-Oraini
Chief Financial Officer



Nadir S Al-Koraya
Chief Executive Officer



Eng. Abdullah M. Al-Issa
Chairman of the Board

Consolidated Statement of Cash Flows

For the years ended December 31, 2023 and 2022

Note	2023 SAR'000	2022 SAR'000
OPERATING ACTIVITIES		
Income before zakat	8,970,799	7,828,436
Adjustments to reconcile net income for the period to net cash from operating activities:		
Accretion of discounts and amortisation of premium n non-FVIS instruments, net	(453,673)	(89,042)
Losses/ (gains) on disposal of non-trading investments, net	43,630	(121,775)
Gains on trading investments, net	(68,021)	(37,288)
Losses/ (gains)on sale of property and equipment, net	4,566	(20,833)
Dividend income	(40,801)	(79,861)
Depreciation of property, equipment and right of use assets	695,356	540,532
Share in (income)/ losses of associates, net	(12,273)	80,238
Impairment charge for credit losses and other financial assets, net	1,875,464	1,027,400
Interest on lease liabilities	(17,936)	(19,214)
Impairment charge for investments,net	96,224	253,115
	11,093,335	9,361,708
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(824,568)	(2,165,728)
Due from banks and other financial institutions maturing after three months from date of acquisition	-	500,000
Positive fair value of derivatives	122,711	(2,376,326)
Investments at FVIS	(891,405)	(149,518)
Loans and advances, net	(33,867,292)	(26,105,305)
Other real estate	(205,221)	(151,685)
Other assets	628,826	(1,405,255)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	3,703,958	(4,374,072)
Negative fair value of derivatives	574,290	1,394,141
Customer deposits	14,900,539	28,328,788
Principal on lease liabilities	(225,354)	(204,509)
Other liabilities	90,785	514,094
	(4,899,396)	3,166,333
Zakat paid	(1,282,325)	(1,168,028)
Net cash (used in) from operating activities	(6,181,721)	1,998,305
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments not held as FVIS instruments	10,011,007	137,722,310
Purchase of investments not held as FVIS instruments	(14,417,241)	(132,916,940)
Purchase of property and equipment	(2,946,789)	(1,297,439)
Proceeds from sale of property and equipment	88,275	175,187
Advance against purchase of property and equipment	-	-
Net cash (used in) from investing activities	(7,264,748)	3,683,118
FINANCING ACTIVITIES		
Debt securities in issue and term loan,net	4,614,203	-
Tier 1 sukuk issuance	(8,625)	6,571,125
Dividend paid	(3,878,282)	(3,108,480)
Tier 1 sukuk related costs	(310,416)	(64,673)
Purchase of treasury shares	(165,912)	-
Net cash from financing activities	250,968	3,397,972
(Decrease) increase in cash and cash equivalents	(13,195,501)	9,079,395
Cash and cash equivalents at beginning of the year	41,486,081	32,406,686
Cash and cash equivalents at end of the year	28,290,580	41,486,081
Special commission received during the year		
Special commission paid during the year		
Supplemental non-cash information		
Net changes in fair value and transfers to consolidated statement of income	449,948	(1,994,729)
Right of use (ROU) assets	(67,514)	(20,743)
Lease liabilities	(75,990)	(11,164)

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



Abdullah A. Al-Oraini
Chief Financial Officer



Nadir S Al-Koraya
Chief Executive Officer



Eng. Abdullah M. Al-Issa
Chairman of the Board

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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 335 (2022: 338) 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 7,887 as at December 31, 2023 (2022: 6,794 employees). 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 Riyadh Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group"),

Subsidiary	Ownership	Description
Riyad Capital	100%	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	100%	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 (under liquidation)	100%	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	100%	a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group,
Curzon Street Properties Limited	100%	a property holding company, incorporated in the Isle of Man
Riyad Financial Markets	100%	a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyadh Bank, incorporated in the Cayman Islands
Jeel Digital Innovation Company	100%	engaged in systems analysis, application and operating systems development, hosting websites, financial technology solutions and related activities, incorporated in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group as at and for the years ended December 31, 2023 and 2022, 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 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.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of amending its By-Laws for any changes to align the By-Laws to the provisions of the Law. Consequently, the Bank shall present the amended By-Laws to the shareholders in an Extraordinary General Assembly meeting for their ratification.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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:

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions (continued)

- 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 34.3 (b) (v)).

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 categorisation of loans into Stages 1, 2 and 3 based on the identification of:

- (a) exposures with a significant increase in credit risk ("SICR") since their origination; and
- (b) individually impaired / defaulted exposures.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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 31.

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 MATERIAL ACCOUNTING POLICIES

The material 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, 2022.

Following standard, interpretation or amendment are effective from the annual reporting period beginning on January 1, 2023 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
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 and definition to accounting estimate
IFRS 17, 'Insurance contracts', as amended in June 2020	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.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

Accounting standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. 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. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 1, 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
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 1, 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	January 1, 2024

Other standards issued but not yet effective

IFRS S1 - General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024 subject to endorsement from SOCPA
IFRS S2 - Climate-related disclosures	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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;

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

- 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 and term loan 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

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.

When discounting future cash flows, the following discount rates are used:

- financial assets: the original effective interest rate or an approximation thereof;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations, if any, are transferred to their relevant asset category at the fair value, if material. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

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

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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 statement of income, 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

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.

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).

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(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.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statement of income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

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.

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:

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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) Profit sharing investment account (PSIA)

The Bank offers Unrestricted Investment Accounts based on fully Sharia compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds (IAH) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities.

Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

The investment risk reserve is deducted from customer's share after allocating the Mudarib share of profit as per the approved policy in order to cater against future losses of equity of unrestricted investment accountholders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

The profit equalization reserve is the amount the bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and unrestricted investment accountholders.

Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

s) 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting Policies (continued)

t) 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.

u) 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

v) 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.

w) 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.

x) 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 consolidated statement of income.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

y) 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.

z) 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 a 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.

aa) 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.

ab) 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.

ac) 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.

ad) Treasury shares

Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA), NET

	2023 SAR'000	2022 SAR'000
Cash in hand	3,450,448	4,197,499
Statutory deposit	13,318,371	12,493,803
Placements with SAMA	9,141,203	16,166,001
Other balances	265,204	509,349
Total	26,175,226	33,366,652

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly averages at the end of each Gregorian month. The statutory deposit with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

The allowance for expected credit losses (ECL), in respect of the above, was marginal as on December 31, 2023 and 2022. The ECL allowance relates to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2023 SAR'000	2022 SAR'000
Current accounts	6,459,825	6,541,293
Money market placements	8,975,332	14,072,521
Less: Allowance for ECL	(1,432)	(582)
Total	15,433,725	20,613,232

Money market placements include margin deposits amounting to SAR 1,444 million (2022: SAR 1,109 million).

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, 2023	582	-	-	582
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(4)	4	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements	850	-	-	850
Balance as at December 31, 2023	1,428	4	-	1,432
Balance at January 1, 2021	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

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6. DERIVATIVES

In the ordinary course of business, the Group utilises mainly the following derivative financial instruments for both trading and hedging

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.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6. DERIVATIVES (continued)

c) Options (continued)

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.

2023 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	3,548,151	(3,267,680)	171,757,919	7,614,394	29,226,833	69,031,218	65,885,474	117,545,921
Forward foreign exchange contracts	43,061	(30,639)	9,623,318	8,077,181	1,456,137	90,000	-	23,415,971
Currency options	557	(1,078)	76,083	47,442	28,641	-	-	34,309
Commodity swaps	32,910	(30,894)	1,385,482	752,978	632,504	-	-	1,385,482
Held as fair value hedges:								
Special commission rate swaps	43,451	-	1,592,797	-	-	1,592,797	-	1,592,797
Held as cash flow hedges:								
Special commission rate swaps	-	(98,284)	1,37,5000	-	-	1,375,000	-	1,375,000
Total	3,668,130	(3,428,575)	185,810,599	16,491,995	31,344,115	72,089,015	65,885,474	

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	-	3,559,939	33,658,281	55,491,168	74,107,729
Forward foreign exchange contracts	165,318	(68,193)	45,903,516	30,473,202	14,329,425	1,100,889	-	33,550,649
Currency options	229	(2,105)	157,019	-	145,358	11,661	-	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	-	-	333,852	5,480,016	5,813,868
Held as cash flow hedges:								
Special commission rate swaps	245,211	(128,643)	5,258,049	-	-	-	5,258,049	5,258,050
Total	3,790,841	(2,854,285)	151,052,119	31,328,365	18,389,838	35,104,683	66,229,233	

Derivatives include non-conventional banking products of SAR 21.7 billion as at December 31, 2023 (December 31, 2022: SAR 10.16 billion)

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, 2023 and 2022, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2023 SAR 000s	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	86,381	142,926	-	-
Total	86,381	142,926	-	-

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

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, 2023 and 2022.

2023 SAR '000	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed commission rate investments	794,332	818,262	Fair value	Special commission rate swaps	23,930	-
Fixed commission rate loans	779,276	798,797	Fair value	Special commission rate swaps	19,521	-
Floating commission rate liabilities	1,276,716	1,375,000	Cash flow	Special commission rate swaps	-	(98,284)

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 securities	1,246,357	1,375,000	Cash flow	Special commission rate swaps	-	(128,643)

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

7. INVESTMENTS, NET

a) Investments by type of securities

i) Investment at FVIS

SAR'000	Domestic		International		Total	
	2023	2022	2023	2022	2023	2022
Mutual funds	2,322,845	1,363,419	-	-	2,322,845	1,363,419
Total	2,322,845	1,363,419	-	-	2,322,845	1,363,419

ii) Investment at amortised cost, net

SAR'000	Domestic		International		Total	
	2023	2022	2023	2022	2023	2022
Fixed rate securities	31,805,451	30,172,615	103,926	467,889	31,909,377	30,640,504
Floating rate securities	2,708,827	2,726,455	-	-	2,708,827	2,726,455
Total	34,514,278	32,899,070	103,926	467,889	34,618,204	33,366,959

ii) Investments at FVOCI

SAR'000	Domestic		International		Total	
	2023	2022	2023	2022	2023	2022
Fixed rate securities	-	-	19,534,543	16,047,992	19,534,543	16,047,992
Floating rate securities	-	-	2,453	-	2,453	-
Equities (refer 7c)	563,340	505,758	1,067,439	911,992	1,630,779	1,417,750
Total	563,340	505,758	20,604,435	16,959,984	21,167,775	17,465,742
Investments, net	37,400,463	34,768,247	20,708,361	17,427,873	58,108,824	52,196,120

Above investments include sukuks amounting to SAR 23.98 billion (2022: SAR 25.81 billion).

International investments above includes investment portfolios of SAR 2.1 billion (2022: SAR 1.9 billion) which are externally managed.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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, 2023	4,022	1,407	-	5,429
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	-	-	-	-
Other movements*	(2,253)	(343)	-	(2,596)
Balance as at December 31, 2023	1,769	1,064	-	2,833
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	-	-	-	-
Other movements*	(482)	294	-	(188)
Balance as at December 31, 2022	4,022	1,407	-	5,429

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, 2023	18,600	45,527	310,040	374,167
Transfer from Stage 2 & Stage 3 to Stage 1	2,755	(2,755)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(1,064)	1,064	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(21)	(1,439)	1,460	-
Other movements*	17,928	34,688	46,204	98,820
Balance as at December 31, 2023	38,198	77,085	357,704	472,987
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	-
Other movements*	(28,459)	15,111	274,778	261,430
Balance as at December 31, 2022	18,600	45,527	310,040	374,167

*Includes remeasurement

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

7. INVESTMENTS, NET (continued)

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, 2023 SAR'000	Fair value as at December 31, 2022 SAR'000	Dividend income recognised during 2023 SAR'000	Dividend income recognised during 2022 SAR'000
Saudi Exchange(Tadawul) listed equities	75,756	84,478	23,308	65,599
Other Saudi equities	487,584	421,280	5,080	-
Foreign equities	1,067,439	911,992	117	543
Total	1,630,779	1,417,750	28,505	66,142

During 2022, the Group sold shares in Saudi Exchange(Tadawul) listed equities having a fair value of SAR 2,918.4 million and the gain amounting to SAR 1,012.3 million was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio. Other equities loss during 2022 amounted to SAR 117 million.

d) The analysis of the composition of investments is as follows:

i) Investment at FVIS

SAR'000	2023			2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Mutual funds	2,322,845	-	2,322,845	1,363,419	-	1,363,419
Total	2,322,845	-	2,322,845	1,363,419	-	1,363,419

ii) Investment at amortised cost, net

SAR'000	2023			2022		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	26,755,758	5,153,619	31,909,377	16,234,149	14,406,355	30,640,504
Floating rate securities	1,384,358	1,324,469	2,708,827	1,382,653	1,343,802	2,726,455
Total	28,140,116	6,478,088	34,618,204	17,616,802	15,750,157	33,366,959

iii) Investments at FVOCI

SAR'000	2023			2022		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	19,534,543	-	19,534,543	16,047,992	-	16,047,992
Floating rate securities	2,453	-	2,453	-	-	-
Equities	950,012	680,767	1,630,779	863,174	554,576	1,417,750
Total	20,487,008	680,767	21,167,775	16,911,166	554,576	17,465,742
Investments, net	50,949,969	7,158,855	58,108,824	35,891,387	16,304,733	52,196,120

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 4.3 billion (2021: SAR 13.6 billion).

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

e) The analysis of investments by counter-party is as follows:

	2023 SAR'000	2022 SAR'000
Government and quasi Government	35,240,908	32,616,001
Corporate	16,955,034	15,553,709
Banks and other financial institutions	5,912,882	4,026,410
Total	58,108,824	52,196,120

Investments include SAR 12,678 million (2022: SAR 9,025 million), which have been pledged under repurchase agreements with banks (note 20 d). The market value of such investments is SAR 11,069 million (2022: SAR 6,900 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2023 SAR '000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	5,691,257	1,472,583	93,839,733	173,079,952	1,773,222	275,856,747
Non-performing loans and advances	106,444	46,201	1,194,271	2,115,084	1,818	3,463,818
Total loans and advances	5,797,701	1,518,784	95,034,004	175,195,036	1,775,040	279,320,565
Allowance for impairment/ ECL	(169,251)	(53,612)	(1,074,734)	(3,622,932)	(1,790)	(4,922,319)
Total	5,628,450	1,465,172	93,959,270	171,572,104	1,773,250	274,398,246

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

Loans and advances, net, include non-conventional banking products of SAR 188.5 billion (2022: SAR 168.9 billion). As at December 2023, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 136.0 billion (2022: SAR 122.0 billion), Ijarah amounting to SAR 21.3 billion (2022: SAR 20.6 billion) and Murabaha amounting to SAR 30.7 billion (2022: SAR 27.2 billion) and the expected credit loss allowance on the portfolio was SAR 3.4 billion (2022: SAR 3.3 billion). During 2023, the special commission income on the portfolio amounted to SAR 11.3 billion (2022: SAR 7.6 billion).

* Includes consumer mortgage loans

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. LOANS AND ADVANCES, NET (continued)

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, 2023	528,970	1,549,537	2,676,291	4,754,798
Transfer from Stage 2 & Stage 3 to Stage 1	226,560	(106,855)	(119,705)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(10,245)	38,021	(27,776)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(5,688)	(46,977)	52,665	-
Other movements*	71,804	651,950	1,135,726	1,859,480
Charge-off and write-offs	-	-	(1,691,959)	(1,691,959)
Balance as at December 31, 2023	811,401	2,085,676	2,025,242	4,922,319
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	-
Other movements*	(185,424)	97,515	1,451,155	1,363,246
Charge-off and write-offs	-	-	(1,122,605)	(1,122,605)
Balance as at December 31, 2022	528,970	1,549,537	2,676,291	4,754,798

*Includes remeasurement

	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, 2023	21,938	9,762	28,318	60,018
Transfer from Stage 2 & Stage 3 to Stage 1	9,578	(3,171)	(6,407)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(498)	1,321	(823)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(364)	(841)	1,205	-
Other movements*	(14,752)	3,760	65,313	54,321
Write-offs	-	-	(60,727)	(60,727)
Balance as at December 31, 2023	15,902	10,831	26,879	53,612
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	-
Other movements*	11,957	6,256	44,494	62,707
Write-offs	-	-	(28,168)	(28,168)
Balance as at December 31, 2022	21,938	9,762	28,318	60,018

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
ECL on consumer loans** (SAR'000)				
Balance at January 1, 2023	244,610	87,198	654,264	986,072
Transfer from Stage 2 & Stage 3 to Stage 1	148,355	(37,992)	(110,363)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(4,096)	25,058	(20,962)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(3,249)	(14,640)	17,889	-
Other movements*	(91,007)	107,198	320,473	336,664
Write-offs	-	-	(248,002)	(248,002)
Balance as at December 31, 2023	294,613	166,822	613,299	1,074,734
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	-
Other movements*	(98,010)	28,391	405,904	336,285
Write-offs	-	-	(175,502)	(175,502)
Balance as at December 31, 2022	244,610	87,198	654,264	986,072

*Includes remeasurement

**Includes consumer mortgage loans

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
ECL on Commercial loans*** (SAR'000)				
Balance at January 1, 2023	262,422	1,452,577	1,993,709	3,708,708
Transfer from Stage 2 & Stage 3 to Stage 1	68,627	(65,692)	(2,935)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(5,651)	11,642	(5,991)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,075)	(31,496)	33,571	-
Other movements*	177,563	540,992	749,940	1,468,495
Write-offs	-	-	(1,383,230)	(1,383,230)
Balance as at December 31, 2023	500,886	1,908,023	1,385,064	3,793,973
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	-
Other movements*	(99,371)	62,868	1,000,757	964,254
Write-offs	-	-	(918,935)	(918,935)
Balance as at December 31, 2022	262,422	1,452,577	1,993,709	3,708,708

*Includes remeasurement

***Includes overdrafts and others

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Total loans and advances (SAR'000)				
Balance at January 1, 2023	228,278,751	13,914,977	4,926,017	247,119,745
Transfer from Stage 2 & Stage 3 to Stage 1	2,333,621	(2,007,821)	(325,800)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(3,380,522)	3,459,527	(79,005)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(871,252)	(794,012)	1,665,264	-
Net other movements*	32,495,943	1,558,688	151,014	34,205,645
Write-off	-	-	(2,004,825)	(2,004,825)
Balance as at December 31, 2023	258,856,541	16,131,359	4,332,665	279,320,565
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	580,356	26,656,363
Write-off	-	-	(1,341,010)	(1,341,010)
Balance as at December 31, 2022	228,278,751	13,914,977	4,926,017	247,119,745

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Credit cards (SAR'000)				
Balance at January 1, 2023	1,051,829	81,588	46,259	1,179,676
Transfer from Stage 2 & Stage 3 to Stage 1	39,725	(32,719)	(7,006)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(30,801)	32,482	(1,681)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(20,508)	(7,628)	28,136	-
Net other movements*	362,131	(3,516)	75,051	433,666
Write-off	-	-	(94,558)	(94,558)
Balance as at December 31, 2023	1,402,376	70,207	46,201	1,518,784
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	79,459	387,048
Write-offs	-	-	(60,987)	(60,987)
Balance as at December 31, 2022	1,051,829	81,588	46,259	1,179,676

*Includes new loans generated, loans repaid and other movements

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Consumer loans** (SAR'000)				
Balance at January 1, 2023	83,250,523	1,707,667	1,264,370	86,222,560
Transfer from Stage 2 & Stage 3 to Stage 1	1,268,074	(956,944)	(311,130)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(821,876)	883,499	(61,623)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(435,568)	(191,261)	626,829	-
Net other movements*	9,129,484	6,135	202,862	9,338,481
Write off	-	-	(527,037)	(527,037)
Balance as at December 31, 2023	92,390,637	1,449,096	1,194,271	95,034,004
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	367,044	10,106,248
Write off	-	-	(361,088)	(361,088)
Balance as at December 31, 2022	83,250,523	1,707,667	1,264,370	86,222,560

	Stage 1 12-month ECL	Stage 2 lifetime ECL - not credit impaired	Stage 3 lifetime ECL - credit impaired	Total
Commercial loans*** (SAR'000)				
Balance at January 1, 2023	143,976,399	12,125,722	3,615,388	159,717,509
Transfer from Stage 2 & Stage 3 to Stage 1	1,025,822	(1,018,158)	(7,664)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,527,845)	2,543,546	(15,701)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(415,176)	(595,123)	1,010,299	-
Net other movements*	23,004,328	1,556,069	(126,899)	24,433,498
Write-off	-	-	(1,383,230)	(1,383,230)
Balance as at December 31, 2023	165,063,528	14,612,056	3,092,193	182,767,777
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

*Includes new loans generated, loans repaid and other movements

**Includes consumer mortgage loans

***Includes overdrafts and others

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. LOANS AND ADVANCES, NET (continued)

d) Impairment charge for financing losses in the consolidated statement of income represents:

	2023 SAR'000	2022 SAR'000
Charge for the year, net*	2,338,140	1,599,651
Recovery of written off loans and advances, net	(504,147)	(569,058)
Allowance for impairment, net (note 8 e)	1,833,993	1,030,593

* 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:

	2023 SAR'000	2022 SAR'000
Impairment charge for credit losses, net (note 8 d)	1,833,993	1,030,593
Impairment charge (reversal) for other financial assets, net	41,471	(3,193)
Total	1,875,464	1,027,400

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% (2022: 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, 2023 the total assets, liabilities and shareholders' equity amounted to SAR 1,699 million (September 30, 2022: SAR 1,548 million), SAR 1,014 million (September 30, 2022: SAR 882 million) and SAR 685.2 million (September 30, 2022: SAR 666.8 million) respectively.

- b) 19.9% (2022: 19.9%) direct share ownership, 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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, 2022	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 as at December 31, 2022	1,668,054	983,393	1,198,282	699,032	4,241,738	8,790,499
Additions	1,543,524	199,531	256,695	112,076	834,963	2,946,789
Disposals	(17,584)	(148,937)	(11,682)	(2,684)	(9,375)	(190,262)
Balance at December 31, 2023	3,193,994	1,033,987	1,443,295	808,424	5,067,326	11,547,026
Accumulated depreciation and amortisation						
Balance as at January 1, 2022	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 as at December 31, 2022	630,460	440,278	984,998	523,717	2,902,391	5,481,844
Charge for the year	10,994	197,497	63,744	49,365	373,756	695,356
Disposals	(3,355)	(89,888)	(52)	(2,610)	(1,516)	(97,421)
Balance at December 31, 2023	638,099	547,887	1,048,690	570,472	3,274,631	6,079,779
Net book value						
As at January 1, 2022	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
As at December 31, 2023	2,555,895	486,100	394,605	237,952	1,792,695	5,467,247

Land and buildings include work in progress amounting to SAR 1,489 million as at December 31, 2023 (2022: SAR 28.9 million) and mainly pertains to the Bank's new office tower at King Abdullah Financial District, Riyadh, KSA.

Improvements and decoration of premises include work in progress amounting to SAR 133.2 million as at December 31, 2023 (2022: SAR 30.5 million), respectively.

*Comprises land and buildings and disposals include canceled or closed lease contracts.

The interest expense on lease liabilities during 2023 amounted to SAR 17.9 million (2022: SAR 19.2 million).

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

11. OTHER ASSETS

	2023 SAR'000	2022 SAR'000
Accounts receivable	1,124,398	817,863
Others	1,422,722	2,358,083
Total	2,547,120	3,175,946

Accounts receivable mainly include accrued fee and income

Others mainly include prepayments and sundry debtors, settlement accounts and items in transit amounting to SAR 1,327 million (2022: SAR 2,137 million), which are cleared in the normal course of business.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 SAR'000	2022 SAR'000
Current accounts	2,125,426	1,260,568
Money market deposits	40,338,600	37,499,500
Total	42,464,026	38,760,068

Money market deposits include deposits against sales of fixed rate bonds of SAR 11,838 million (2022: SAR 8,518 million) with agreement to repurchase the same at fixed future dates (note 20 d)). The profit free deposits from SAMA as under various COVID-19 support programs amount to SAR 11.2 billion (2022: SAR 19.9 billion) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 1,102 million (2022: SAR 348 million).

13. CUSTOMER DEPOSITS

	2023 SAR'000	2022 SAR'000
Demand	119,606,683	123,376,425
Saving	1,400,147	1,269,928
Time	114,092,253	96,102,144
Others	19,808,541	19,258,588
Total	254,907,624	240,007,085

Time deposits include non-conventional banking deposits of SAR 38,516 million (2022: SAR 32,559 million). Demand deposits also include non-conventional call deposits of SAR 2,858 million (2022: SAR 2,103 million). The special commission expense on the above non-conventional deposits for 2023 amounted to SAR 1,823 million (2022: SAR 628 million). Other customers' deposits include SAR 4,488 million (2022: SAR 3,780 million) of margins held for irrevocable commitments.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

The above include foreign currency deposits as follows:

	2023 SAR'000	2022 SAR'000
Demand	3,931,049	3,113,219
Saving	18,359	5,353
Time	26,233,946	9,472,597
Other	560,349	500,843
Total	30,743,703	13,092,012

14. DEBT SECURITIES IN ISSUE, TERM LOAN AND TIER 1 SUKUK

a) DEBT SECURITIES IN ISSUE AND TERM LOAN

During Q3 2023, in order to support business growth and diversify its funding base, the Bank raised an unsecured USD-denominated syndicated term loan of USD 1,200 million, at floating SOFR + margin of 85 bps (all in) for a period of 3 years.

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.

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, term loan and Tier 1 Suk uk:

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

14. DEBT SECURITIES IN ISSUE, TERM LOAN AND TIER 1 SUKUK (continued)

b) TIER 1 SUKUK (continued)

	Debt Securities in issue		Tier 1 Sukuk	
	2023 SAR'000	2022 SAR'000	2023 SAR'000	2022 SAR'000
Opening balance	8,758,419	8,716,577	6,571,125	-
Cash flow items				
Term loan	4,600,352	-	-	-
Issuance	-	-	-	6,571,125
- Other movements	13,851	41,842	(8,625)	-
Closing balance	13,372,622	8,758,419	6,562,500	6,571,125

15. OTHER LIABILITIES

	2023 SAR'000	2022 SAR'000
Accounts receivable	865,991	507,864
Others*	11,552,020	12,591,787
Total	12,418,011	13,099,651

* Mainly include the below

	2023 SAR'000	2022 SAR'000
Provision for zakat	1,053,336	1,355,218
End of service benefits	998,003	827,231
Lease liability	451,184	527,174
Deferred fair value gain on Government Grant	62,179	146,090
Loss allowance for credit related commitments and contingencies	206,180	206,944
Write-off reserves	547,094	586,319

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 (2022: 3,000 million shares of SAR 10 each).

17. TREASURY SHARES

The Extraordinary General Assembly Meeting on 26 March 2023, approved the Employee Stock Incentive program for which five million shares were to be purchased as treasury shares for the purpose of allocating them to the Employee Stock Incentive Plan. The Bank has completed the above purchases during the current year and as at 31 December 2023, the Bank held five million treasury shares.

18. 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 2,011 million has been transferred from 2023 net income (2022: SAR 1,755 million). The statutory reserve is not currently available for distribution.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

19. OTHER RESERVES

2023 (SAR 000s)	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	127,977	66,750	(1,512,524)	527,537	(790,260)
Net change in fair value	(13,118)	-	211,552	207,884	406,318
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	43,630	-	43,630
Net ECL movement during the year	-	-	98,820	-	98,820
Actuarial losses	-	(127,711)	-	-	(127,711)
Net disposals during the year	-	-	-	-	-
Balance at end of the year	114,859	(60,961)	(1,158,522)	735,421	(369,203)

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)

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2023, there were legal proceedings of a routine nature outstanding against the Group. No significant 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, 2023 the Bank had capital commitments of SAR 2,338.8 million (2022: SAR 3,180.7 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

20. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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:

2023 (SAR 000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	5,172,900	2,921,279	128,877	-	8,223,056
Letters of guarantee *	18,201,892	38,818,388	33,459,991	1,174,574	91,654,845
Acceptances	3,187,008	2,338,088	28,595	-	5,553,691
Irrevocable commitments to extend credit	2,532,247	1,987,761	9,079,180	10,607,090	24,206,278
Total	29,094,047	46,065,516	42,696,643	11,781,664	129,637,870

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

* 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, 2023 which can be revoked unilaterally at any time by the Group, amounts to SAR 160,263 million (2022: SAR 119,241 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, 2023	24,463	17,364	165,117	206,944
Transfer from Stage 2 & Stage 3 to Stage 1	3,324	(3,324)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,060)	2,356	(296)	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(9)	9	-
Other movements	25,037	(6,395)	26,865	45,507
Transfer to write-off reserves	-	-	(46,271)	(46,271)
Balance as at December 31, 2023	50,764	9,992	145,424	206,180

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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	-
Other movements	(18,411)	1,963	17,327	879
Transfer to write-off reserves	-	-	(50,073)	(50,073)
Balance as at December 31, 2021	24,463	17,364	165,117	206,944

As at December 31, 2023, the balance in the write-off reserves amounted to SAR 547 million (December 31, 2022: SAR 586 million).

iii) The analysis of commitments and contingencies by counterparty is as follows:

	2023 SAR'000	2022 SAR'000
Government and quasi government	125,000	-
Corporate	108,019,110	94,473,682
Banks and other financial institutions	21,493,760	19,374,717
Total	129,637,870	113,848,399

d) Assets pledged

Assets pledged as collateral with other banks are as follows:

	2023		2022	
	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	12,678	11,838	9,025	8,518

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, 2023 and 2022

21. SPECIAL COMMISSION INCOME AND EXPENSE

	2023 SAR'000	2022 SAR'000
Special commission income on:		
Investments - FVOCI	922,467	756,814
- Amortised cost	1,379,594	956,711
	2,302,061	1,713,525
Due from banks and other financial institutions	1,245,760	634,376
Loans and advances	17,058,294	10,559,660
Total	20,606,115	12,907,561

	2023 SAR'000	2022 SAR'000
Special commission expense on:		
Due to banks and other financial institutions	1,095,646	395,356
Customer deposits	6,577,064	2,173,745
Debt securities in issue	519,127	286,015
Total	8,191,837	2,855,116

22. FEE AND COMMISSION INCOME, NET

	2023 SAR'000	2022 SAR'000
Fee and commission income on:		
- Share brokerage and fund management	613,369	749,949
- Trade finance	789,933	707,531
- Credit facilities and advisory	1,007,781	870,166
- Card products	1,056,196	927,243
- Other banking services	263,517	304,182
Total fee and commission income	3,730,796	3,559,071
Fee and commission expense on:		
- Card products	961,219	754,143
- Share brokerage	76,236	97,528
- Other banking services	308,720	278,733
Total fee and commission expense	1,346,175	1,130,404
Fee and commission income, net	2,384,621	2,428,667

23. TRADING INCOME, NET

	2023 SAR'000	2022 SAR'000
Derivatives	352,795	180,851
Investment at FVSI	67,149	38,178
Total	419,944	219,029

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

24. (LOSSES)/ GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2023 SAR'000	2022 SAR'000
FVOCI	(43,630)	86,145
Amortised Cost	-	35,630
Total	(43,630)	121,775

25. OTHER OPERATING INCOME

Other operating income mainly includes gain on disposals of property and equipment and real estate portfolio amounting to SAR 20.6 million (2022: SAR 21.3 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 23.9 million (2022: SAR 18.6 million).

26. 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, 2023 and 2022, and the forms of such payments.

Categories SAR 000	Number of employees		Fixed compensation		Variable compensation		Total compensation	
	2023	2022	2023	2022	2023	2022	2023	2022
Senior executives requiring SAMA no objection	12	12	27,312	28,322	36,330	41,836	63,642	70,158
Employees engaged in risk taking activities	425	362	170,915	151,204	71,236	69,201	242,151	220,405
Employees engaged in control functions	328	263	108,472	95,687	26,783	25,749	135,255	121,436
Outsourced employees	1,626	1,200	107,201	54,726	-	-	107,201	54,726
Other employees	5,496	4,957	1,231,510	1,141,577	235,568	212,387	1,467,078	1,353,964
Total	7,887	6,794	1,645,410	1,471,516	369,917	349,173	2,015,327	1,820,689
Variable compensation accrued during the year and other employee related benefits*							896,754	785,989
Total salaries and employee-related expenses as per consolidated statement of income							2,542,164	2,257,505

*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 jobholder'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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

26. SALARIES AND EMPLOYEE-RELATED EXPENSES (continued)

The Board of Directors has the responsibility to approve and oversee the Group's compensation policies. The Board Nomination and Compensation Committee (NCC) is composed of five non-executive Directors (comprising of three Board Director members 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 endorsing for Board of Directors approval for the Group's compensation policies as well as undertaking its periodic assessment and ensuring updating the policies to achieve the system objectives and reinforce the Group's risk management framework. Fixed compensation comprises of salaries, wages and fixed allowances. Variable compensation includes performance bonuses, and products' sales incentives. That's in addition to other benefits offered in line with prevailing and best practices as well as relevant regulations.

The Group has adopted fixed and variable compensation schemes. Where a substantial proportion of the variable remuneration for senior management team and material risk takers is converted to non-cash instruments, to which is deferred and vested as per SAMA remuneration rules, and is aligned with the jobholder's level of responsibility, Group and individual performance, business unit in which they work, 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 industry norms, international best practice, relevant rules and regulations, and makes necessary revisions as deemed appropriate to achieve an orderly and effective compensation policy.

27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SAR'000	2022 SAR'000
Communication, cash shipment and insurance	360,247	402,246
Rental and repair and maintenance	427,122	333,709
Publication, advertisement and stationary	104,894	126,437
Miscellaneous Exp.	489,174	392,905
Consultancy, audit and professional services	82,081	81,011
Total	1,463,518	1,336,308

Consultancy, audit and professional services above comprises the below:

	2023 SAR'000	2022 SAR'000
Fee for audit and reviews	7,119	6,626
Other services	1,238	1,248
Total	8,357	7,874

28. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2023 is calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the year by weighted average number of shares outstanding after excluding five million treasury shares.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29. DIVIDENDS

During July 2023, interim dividends of SAR 1,948 million at SAR 0.65 per share (2022: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank and the distribution date for the dividend was 7 August 2023. Final dividends of SAR 1,950 million at SAR 0.65 per share was proposed for 2022.

30. ZAKAT

The Bank has estimated provision for zakat liability for the year ended December 31, 2023 at SAR 925 million (December 31, 2022: SAR 809 million).

The zakat paid during year-ended December 31, 2023 amounted to SAR 1,282 million (December 31, 2022: SAR 1,168 million).

31. 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:

	2023 SAR'000	2022 SAR'000
Defined benefit obligation at the beginning of the year	827,231	998,396
Current service cost	79,521	94,962
Interest cost	44,254	27,592
Benefits paid	(80,714)	(92,616)
Actuarial losses (gains) recognised in other comprehensive income	127,711	(201,103)
Defined benefit obligation at the end of the year	998,003	827,231

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

c) Charge for the year

	2023 SAR'000	2022 SAR'000
Current service cost	79,521	94,962
Interest on defined benefit obligations	44,254	27,592
	123,775	122,554

d) Re-measurement recognised in Other comprehensive income

	2023 SAR'000	2022 SAR'000
Losses (gains) from change in experience assumptions	7,269	(29,791)
Losses due to change in demographic assumptions	149	6,099
Losses (gains) from change in financial assumptions	120,293	(177,411)
	127,711	(201,103)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

31. DEFINED BENEFIT PLAN (continued)

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2023 and 2022 are as follows:

	2023 SAR'000	2022 SAR'000
Discount rate per annum	5.5%	5.4%
Expected rate of salary increase per annum	6.0%	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, 2023 and 2022 to the discount rate of 5.5% (2022: 5.4%) and salary escalation rate 6% (2022: 4.0%).

	Impact on defined benefit obligation increase / (decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
2023			
Discount rate	0.50%	(36,671)	39,161
Expected rate of salary increase	0.50%	38,167	(36,095)
2022			
Discount rate	0.50%	(25,780)	30,591
Expected rate of salary increase	0.50%	30,843	(26,261)

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.

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2023 SAR'000	2022 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	12,856,855	20,872,849
Due from banks and other financial institutions maturing within three months from the date of acquisition	15,433,725	20,613,232
Total	28,290,580	41,486,081

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

33. 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

33. OPERATING SEGMENTS (continued)

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:

2023 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	111,613,711	3,537,631	186,404,774	85,292,813	386,848,929
Total liabilities	111,192,401	444,105	172,290,863	42,663,489	326,590,858
Operating income from external customers	3,878,589	679,203	8,262,690	3,078,356	15,898,838
Inter segment income (expenses)	242,981	195,071	130,150	(568,202)	-
Total operating income, net including	4,121,570	874,274	8,392,840	2,510,154	15,898,838
- Net special commission income	4,032,027	261,540	6,608,247	1,512,464	12,414,278
- Fee and commission income, net	141,524	536,963	1,689,601	16,533	2,384,621
Total operating expenses, net including	3,507,941	291,683	2,832,532	308,156	6,940,312
- Depreciation of property, equipment and right of use assets	482,505	35,474	149,595	27,782	695,356
- Impairment charge for credit losses and other financial assets, net	393,769	-	1,478,113	3,582	1,875,464
- Impairment charge for investments, net	-	-	-	96,224	96,224
Share in income of associates, net	-	-	-	12,273	12,273
Income before zakat	613,629	582,591	5,560,308	2,214,271	8,970,799

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	101,338,841	4,510,650	161,774,450	92,028,916	359,652,857
Total liabilities	102,150,060	786,276	174,279,250	26,263,922	303,479,508
Operating income from external customers	4,028,091	805,771	6,014,584	2,750,920	13,599,366
Inter segment income (expenses)	126,879	221,069	347,235	(695,183)	-
Total operating income, net including	4,154,970	1,026,840	6,361,819	2,055,737	13,599,366
- Net special commission income	4,019,973	245,975	4,783,428	1,003,069	10,052,445
- Fee and commission income, net	170,802	732,009	1,509,365	16,491	2,428,667
Total operating expenses, net including	3,158,601	287,302	1,850,789	394,000	5,690,692
- Depreciation of property, equipment and right of use assets	392,864	30,873	90,912	25,883	540,532
- Impairment charge for credit losses and other financial assets, net	295,215	-	734,046	(1,861)	1,027,400
- Impairment charge for investments, net	-	-	-	253,115	253,115
Share in income of associates, net	-	-	-	(80,238)	(80,238)
Income before zakat	996,369	739,538	4,511,030	1,581,499	7,828,436

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

b) The Group's credit exposure by operating segment is as follows:

2023 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	107,067,858	2,025,443	185,072,327	84,534,866	378,700,494
Commitments and contingencies	-	-	73,845,472	-	73,845,472
Derivatives	-	-	-	13,174,537	13,174,537

2022 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	98,541,244	3,071,832	160,928,028	91,548,882	354,089,986
Commitments and contingencies	-	-	67,701,341	-	67,701,341
Derivatives	-	-	-	7,229,062	7,229,062

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property, 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.

34. FINANCIAL RISK MANAGEMENT

34.1 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 deploying various credit risk management techniques and processes, such as, application 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 credit risk. 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 ending 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit Risk (continued)

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 34.3 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 20. 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 33.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 39.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34.2 Geographical Concentration

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2023 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	26,175,219	-	7	-	-	-	-	26,175,226
Cash in hand	3,450,441	-	7	-	-	-	-	3,450,448
Balances with SAMA	22,724,778	-	-	-	-	-	-	22,724,778
Due from banks and other financial institutions	7,824,426	531,222	1,223,621	5,348,631	-	38,887	466,938	15,433,725
Current accounts	1,491,778	6,065	8,616	4,931,277	-	20,199	1,614	6,459,549
Money market placements	6,332,648	525,157	1,215,005	417,354	-	18,688	465,324	8,974,176
Positive fair value of derivatives	1,392,598	13,052	2,262,480	-	-	-	-	3,668,130
Investments, net	37,400,463	1,554,114	4,267,860	10,256,758	999,091	546,447	3,084,091	58,108,824
FVIS	2,322,845	-	-	-	-	-	-	2,322,845
FVOCI	563,340	1,450,188	4,267,860	10,256,758	999,091	546,447	3,084,091	21,167,775
Amortised cost	34,514,278	103,926	-	-	-	-	-	34,618,204
Investment in associates	379,941	-	-	-	-	-	-	379,941
Loans and advances, net	262,795,045	6,871,806	4,292,087	18,222	333,236	61,499	26,351	274,398,246
Overdraft	5,628,450	-	-	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	-	-	1,465,172
Consumer loan	93,959,270	-	-	-	-	-	-	93,959,270
Commercial loans	159,968,903	6,871,806	4,292,087	18,222	333,236	61,499	26,351	171,572,104
Others	1,773,250	-	-	-	-	-	-	1,773,250
Other assets	2,547,120	-	-	-	-	-	-	2,547,120
Accounts receivable and others	2,547,120	-	-	-	-	-	-	2,547,120
Total	338,514,812	8,970,194	12,046,055	15,623,611	1,332,327	646,833	3,577,380	380,711,212
Liabilities								
Due to banks and other financial institutions	21,551,320	8,020,987	11,835,073	493,178	-	19,692	543,776	42,464,026
Current accounts	492	349,871	1,203,325	31,698	-	19,692	520,348	2,125,426
Money market deposits	21,550,828	7,671,116	10,631,748	461,480	-	-	23,428	40,338,600
Negative fair value of derivatives	1,338,400	140,489	1,735,286	214,400	-	-	-	3,428,575
Customer deposits	254,320,752	-	586,872	-	-	-	-	254,907,624
Demand	119,537,833	-	68,850	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	-	-	1,400,147
Time	113,574,231	-	518,022	-	-	-	-	114,092,253
Other	19,808,541	-	-	-	-	-	-	19,808,541
Debt securities in issue and term loan	13,372,622	-	-	-	-	-	-	13,372,622
Other liabilities	12,362,700	-	28,870	26,274	-	167	-	12,418,011
Accounts payable and others	12,362,700	-	28,870	26,274	-	167	-	12,418,011
Total	302,945,794	8,161,476	14,186,101	733,852	-	19,859	543,776	326,590,858
Commitments and contingencies	98,811,651	1,113,493	8,390,745	13,564,558	-	7,744,703	12,720	129,637,870
Letters of credit	8,205,631	3,377	-	-	-	14,048	-	8,223,056
Letters of guarantee	65,558,284	530,102	8,354,745	9,470,760	-	7,730,655	10,299	91,654,845
Acceptances	5,546,334	4,936	-	-	-	-	2,421	5,553,691
Irrevocable commitments to extend credit	19,501,402	575,078	36,000	4,093,798	-	-	-	24,206,278
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	5,638,941	190,416	7,345,180	-	-	-	-	13,174,537
Held for trading	5,638,941	190,416	7,157,237	-	-	-	-	12,986,594
Held as fair value hedges	-	-	119,193	-	-	-	-	119,193
Held as cash flow hedges	-	-	68,750	-	-	-	-	68,750
Commitments and contingencies	56,222,471	555,808	5,049,211	7,344,873	-	4,664,482	8,627	73,845,472
Letters of credit	3,368,256	1,386	-	-	-	5,766	-	3,375,408
Letters of guarantee	39,507,320	319,455	5,034,811	5,707,354	-	4,658,716	6,206	55,233,862
Acceptances	5,546,334	4,936	-	-	-	-	2,421	5,553,691
Irrevocable commitments to extend credit	7,800,561	230,031	14,400	1,637,519	-	-	-	9,682,511

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Geographical Concentration (continued)

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 placements	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 and term loan	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 hedges	-	-	436,579	-	-	-	-	436,579
Held as cash flow hedges	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

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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	
	2023 SAR'000	2022 SAR'000	2023 SAR'000	2022 SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	2,223,346	2,933,333	(870,006)	(1,508,132)
Consumer Loans**	1,240,472	1,310,629	(728,154)	(682,582)
Other GCC and Middle East				
Commercial Loans*	-	-	-	-
Total	3,463,818	4,243,962	(1,598,160)	(2,190,714)

*Includes overdrafts and other loans

** includes consumer mortgage loans and credit cards

34.3 Credit Quality Analysis

a) The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. 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

2023 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	38,055,633	-	-	38,055,633
Non-investment grade (credit rating of below 'BBB')	104,355	-	-	104,355
Carrying amount	38,159,988	-	-	38,159,988

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 (credit rating of below 'BBB')	775,841	-	-	775,841
Carrying amount	49,782,975	-	-	49,782,975

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit Quality Analysis (continued)

ii) Loans and advances, gross at amortized cost

2023 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	258,856,541	7,821,309	221,180	266,899,030
Watch list	-	8,310,050	647,667	8,957,717
Substandard	-	-	2,383,578	2,383,578
Doubtful	-	-	665,013	665,013
Loss	-	-	415,227	415,227
Carrying amount	258,856,541	16,131,359	4,332,665	279,320,565

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

ii) (a) Credit cards, gross

2023 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	1,402,376	11,645	-	1,414,021
Watch list	-	58,562	-	58,562
Substandard	-	-	36,353	36,353
Doubtful	-	-	9,848	9,848
Loss	-	-	-	-
Carrying amount	1,402,376	70,207	46,201	1,518,784

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

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

ii) (b) Consumer loans, gross*

2023 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	92,390,637	388,112	-	92,778,749
Watch list	-	1,060,984	-	1,060,984
Substandard	-	-	661,367	661,367
Doubtful	-	-	359,867	359,867
Loss	-	-	173,037	173,037
Carrying amount	92,390,637	1,449,096	1,194,271	95,034,004

2022 SAR'000	12 month ECL	Life time 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

ii) (c) Commercial loans, gross**

2023 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk (Risk grade 1-17)	165,063,528	7,421,552	221,180	172,706,260
Watch list (Risk grade 18-20)	-	7,190,504	647,667	7,838,171
Substandard (Risk grade 21)	-	-	1,685,858	1,685,858
Doubtful (Risk grade 22)	-	-	295,298	295,298
Loss (Risk grade 23)	-	-	242,190	242,190
Carrying amount	165,063,528	14,612,056	3,092,193	182,767,777

2022 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk (Risk grade 1-17)	143,976,399	6,638,129	129,259	150,743,787
Watch list (Risk grade 18-20)	-	5,487,593	552,796	6,040,389
Substandard (Risk grade 21)	-	-	1,807,963	1,807,963
Doubtful (Risk grade 22)	-	-	848,348	848,348
Loss (Risk grade 23)	-	-	277,022	277,022
Carrying amount	143,976,399	12,125,722	3,615,388	159,717,509

* Includes consumer mortgage loans

** Includes overdrafts and other loans

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit Quality Analysis (continued)

The following table sets out information about the credit quality of financial assets as at December 31, 2023 and 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

iii) (a) Debt investment securities at amortised cost

2023 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	32,917,649	-	-	32,917,649
Investment Grade (credit rating of 'BBB' or above)	838,091	-	-	838,091
Non-investment Grade (credit rating of below 'BBB')	760,114	105,183	-	865,297
Carrying amount	34,515,854	105,183	-	34,621,037

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 (credit rating of 'BBB' or above)	1,197,433	-	-	1,197,433
Non-investment Grade (credit rating of below 'BBB')	944,261	105,558	-	1,049,819
Carrying amount	33,266,830	105,558	-	33,372,388

iii) (b) Debt investment securities at FVOCI

2023 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 (credit rating of 'BBB' or above)	12,362,942	47,621	-	12,410,563
Non-investment Grade (credit rating of below 'BBB')	4,486,620	1,844,916	794,897	7,126,433
Carrying amount	16,849,562	1,892,537	794,897	19,536,996

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 (credit rating of 'BBB' or above)	9,383,854	-	-	9,383,854
Non-investment Grade (credit rating of below 'BBB')	4,334,535	1,640,626	688,977	6,664,138
Carrying amount	13,718,389	1,640,626	688,977	16,047,992

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

iv) The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2023 and 2022.

2023 SAR'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	101,053,012	2,194,347	33,035	103,280,394
Watch list	-	1,426,484	13,384	1,439,868
Substandard	-	-	331,072	331,072
Doubtful	-	-	22,840	22,840
Loss	-	-	357,418	357,418
Carrying amount	101,053,012	3,620,831	757,749	105,431,592

2022 SAR'000	12 month ECL	Life time 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

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.

Notes to the Consolidated Financial Statements (Continued)
For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)
34.3 Credit Quality Analysis (continued)

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.

Notes to the Consolidated Financial Statements (Continued)
For the years ended December 31, 2023 and 2022

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 determines 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit Quality Analysis (continued)

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

- National GDP Growth Rate (%)
- Non-Oil GDP
- SAIBOR
- Crude Oil Prices (in USD per Barrel)
- Real Estate Loans (Mn SAR)
- World GDP(Constant prices)
- Investment(% of World GDP)
- Tadawul Share Price Index

Group has used below baseline forecast related to the macroeconomic variables and for comparison purposes, severe stress forecasts are also presented along.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Economic Indicators (Raw)	Forecast calendar years used in 2023			Forecast calendar years used in 2022		
	ECL model (Baseline)			ECL model (Severe)		
	2023	2024	2025	2023	2024	2025
National GDP Growth Rate Constant	2.36	19.47	10.00	-9.45	7.66	-1.81
National GDP Growth Rate Current Prices(%)	-1.36	12.79	21.03	-45.77	-31.63	-23.4
Non-Oil GDP (Constant Prices)	473,769	490,930	523,153	455,981	473,141	505,365
Tadawul Share Price Index	11,060	11,900	12,658	9,743	10,583	11,341
3-Monthly Average SAIBOR	5.8	5.9	4.9	6.6	6.6	5.6
Crude oil prices (in USD per Barrel)	78	84	82	61	67	65.1
Real Estate Loans (Mn SAR)	780,644	901,040	1,036,393	654,145	774,541	909,894
World GDP % Change (Constant Prices)	3.0	2.9	3.2	1.6	1.6	1.8
Investment(% of World GDP)	26.4	26.2	26.3	25.9	25.7	25.8

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 2023
Macro-economic factors:	
5% Contraction in National GDP Growth Rate (Mn SAR)	3,234
10% Contraction in National GDP Growth Rate (Mn SAR)	6,530
1% Contraction in Non-Oil GDP (Constant Prices)	2,748
2% Contraction in Non-Oil GDP (Constant Prices)	5,599
10% Contraction in Tadawul Share Price Index	13,302
20% Contraction in Tadawul Share Price Index	26,806
5% Dip in oil prices (USD per Barrel)	97,639
10% Dip in oil prices (USD per Barrel)	199,476
10% Contraction in Real Estate Loans (Mn SAR)	8,644
20% Contraction in Real Estate Loans (Mn SAR)	17,879
5% Decline in the World GDP(Mn SAR)	119
10% Decline in World GDP(Mn SAR)	237
10% Rise in SAIBOR	28
20% Rise in SAIBOR	65
5% Decline in Investment(% of World GDP)	3,914
10% Decline in Investment(% of World GDP)	7,828
Scenario Probability of Occurrence	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	14,273
Base scenario sensitized by +/- 5% with corresponding change in mild upside	13,553

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit Quality Analysis (continued)

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

34.4 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	2023				2022			
	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi	371,575	-	(1,480)	370,095	441,615	-	(772)	440,843
Government	14,419,228	-	(38,236)	14,380,992	12,101,125	-	(15,177)	12,085,948
Banks and other financial institutions	1,908,319	7,489	(12,279)	1,903,529	2,824,724	-	(3,557)	2,821,167
Agriculture and fishing	25,916,789	496,490	(876,162)	25,537,117	26,063,183	288,122	(828,558)	25,522,747
Manufacturing Mining and quarrying	7,681,901	688	(10,102)	7,672,487	7,676,613	294	(4,348)	7,672,559
Electricity, water, gas and health services	19,173,538	11,271	(49,323)	19,135,486	13,011,079	17,027	(18,221)	13,009,885
Building and construction	20,221,204	645,841	(1,600,098)	19,266,947	18,520,949	759,012	(1,460,447)	17,819,514
Commerce	63,676,064	741,219	(977,698)	63,439,585	50,272,634	1,247,666	(976,812)	50,543,488
Transportation and communication	5,168,239	83,419	(13,486)	5,238,172	6,177,580	4,357	(7,572)	6,174,365
Services	17,887,067	236,929	(206,471)	17,917,525	15,983,998	616,527	(392,306)	16,208,219
Consumer loans and credit cards	95,312,316	1,240,472	(1,128,346)	95,424,442	86,091,607	1,310,629	(1,046,090)	86,356,146
Others	4,120,507	-	(8,638)	4,111,869	3,710,676	328	(938)	3,710,066
Total	275,856,747	3,463,818	(4,922,319)	274,398,246	242,875,783	4,243,962	(4,754,798)	242,364,947

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:

	2023 SAR'000	2022 SAR'000
Good loans	107,699,140	101,110,339
Past due but performing loans	6,438,757	5,820,259
Non performing loans	1,798,326	2,738,536
Total	115,936,223	109,669,134

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

35. 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.

35.1 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, 2023 and 2022 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2023			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2023	0.44	1.02	1.14	2.39
Average VaR for 2023	1.07	2.50	1.78	4.81
Maximum VaR for 2023	2.96	6.92	3.41	11.81
Minimum VaR for 2023	0.39	0.91	0.71	1.81

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

	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

35.2 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, 2023 and 2022, 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, 2023 and 2022 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.

2023 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	315.15	-	-	-	-	-
USD	+ 100	(290.28)	(1.30)	(0.65)	(53.98)	(438.48)	(494.41)
EUR	+ 100	(0.62)					
GBP	+ 100	(0.97)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

2023 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	(321.21)	-	-	-	-	-
USD	- 100	288.78	1.30	0.65	53.98	438.48	494.41
EUR	- 100	0.62					
GBP	- 100	0.97	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

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	-	-	-	-	-	-

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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.

2023 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	9,141,203	-	-	-	17,034,023	26,175,226
Cash in hand	-	-	-	-	3,450,448	3,450,448
Balances with SAMA	9,141,203	-	-	-	13,583,575	22,724,778
Due from banks and other financial institutions	11,681,520	-	-	-	3,752,205	15,433,725
Current accounts	2,707,342	-	-	-	3,752,205	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	3,531,166	6,422,286	13,012,955	31,188,793	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	2,903,260	5,313,315	3,101,714	23,299,915	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	106,239,360	70,842,745	41,463,315	55,852,826	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	3,125,020	8,051,085	29,406,766	53,376,399	-	93,959,270
Commercial loans	94,247,468	62,791,660	12,056,549	2,476,427	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property and equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398	-	-	-	1,422,722	2,547,120
Total assets	131,737,173	77,314,482	55,094,742	90,022,300	32,680,232	386,848,929
Liabilities and shareholders' equity						
Due to banks and other financial institutions	17,552,202	13,541,251	9,245,147	-	2,125,426	42,464,026
Current accounts	-	-	-	-	2,125,426	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463	-	3,428,575
Customer deposits	99,971,114	13,016,368	10,891,876	2,274,400	128,753,866	254,907,624
Demand	11,347,732	-	-	-	108,258,951	119,606,683
Saving	713,773	-	-	-	686,374	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	-	-	-	-	19,808,541	19,808,541
Debt securities in issue and term loan	-	7,747,622	5,625,000	-	-	13,372,622
Other liabilities	-	-	-	-	12,418,011	12,418,011
Accounts payable and others	-	-	-	-	12,418,011	12,418,011
Shareholders' equity and Tier 1 sukuk	-	-	-	-	60,258,071	60,258,071
Total liabilities and shareholders' equity	117,535,626	34,375,431	26,367,635	5,014,863	203,555,374	386,848,929
Special commission rate sensitivity						
- On statement of financial position gap	14,201,547	42,939,051	28,727,107	85,007,437	(170,875,142)	-
Special commission rate sensitivity						
- Off statement of financial position gap	199,047	(786,547)	587,500	-	-	-
Total special commission rate sensitivity gap	14,400,594	42,152,504	29,314,607	85,007,437	(170,875,142)	
Cumulative special commission rate sensitivity	14,400,594	56,553,098	85,867,705	170,875,142	-	

Notes to the Consolidated Financial Statements (Continued)

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35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

2022s 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 and term loan	-	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	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	89,913,490	46,413,039	18,316,426	4,207,282	200,802,620	359,652,857
Special commission rate sensitivity -On statement of financial position gap	41,001,234	23,958,536	28,843,814	78,930,169	(172,733,753)	-
Special commission rate sensitivity -Off statement of financial position gap	5,957,151	1,584,397	(2,546,289)	(4,995,259)	-	-
Total special commission rate sensitivity	46,958,385	25,542,933	26,297,525	73,934,910	(172,733,753)	-
Cumulative special commission rate sensitivity gap	46,958,385	72,501,318	98,798,843	172,733,753	-	-

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

ii) 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, 2023 and 2022 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, 2023 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±2.77
EUR	± 1	±0.0056
GBP	± 1	±0.65
JPY	± 1	±0
Others	± 1	±0

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

iii) 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

	2023 Long (short) SAR'000	2022 Long (short) SAR'000
US Dollar	974,080	(718,731)
Japanese Yen	842	209
Euro	(664)	17
Pound Sterling	(1,200)	(86)
Others	52,060	11,907

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

35. MARKET RISK (continued)

35.2 Market Risk - Non-trading or Banking Book (continued)

iv) 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 2023 & 2022.

36. 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% (2022: 7%) of average demand deposits and 4% (2022: 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.

a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2023 and 2022 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:

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	19,943,407	12,393,743	10,620,040	-	42,957,190
Current accounts	2,125,426	-	-	-	2,125,426
Money market deposits	17,817,981	12,393,743	10,620,040	-	40,831,764
Customer deposits	225,145,385	14,766,885	12,596,578	2,398,776	254,907,624
Demand	119,606,683	-	-	-	119,606,683
Saving	1,400,147	-	-	-	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	114,092,253
Other	16,228,946	1,750,517	1,704,702	124,376	19,808,541
Debt securities in issue	99,674	299,022	1,594,787	9,469,854	11,463,337
Derivative financial instruments	(29,343)	7,854	69,276	205,454	253,241
Lease liabilities	5,598	42,344	326,867	181,285	556,093
Total undiscounted financial liabilities	245,164,721	27,509,848	25,207,548	12,255,369	310,137,485

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)
Lease liabilities	6,334	66,799	272,497	95,432	441,062
Total undiscounted financial liabilities	218,624,262	38,221,791	20,548,791	11,931,109	289,325,953

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

36. LIQUIDITY RISK (continued)

b) The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2023 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	12,856,855	-	-	-	13,318,371	26,175,226
Cash in hand	3,450,448	-	-	-	-	3,450,448
Balances with SAMA	9,406,407	-	-	-	13,318,371	22,724,778
Due from banks and other financial institutions	15,433,725	-	-	-	-	15,433,725
Current accounts	6,459,547	-	-	-	-	6,459,547
Money market placements	8,974,178	-	-	-	-	8,974,178
Positive fair value of derivatives	19,526	49,451	618,472	2,980,681	-	3,668,130
Investments, net	2,517,404	4,090,829	16,411,676	31,135,291	3,953,624	58,108,824
FVIS	-	-	-	-	2,322,845	2,322,845
FVOCI	627,906	1,108,971	9,911,241	7,888,878	1,630,779	21,167,775
Amortised cost	1,889,498	2,981,858	6,500,435	23,246,413	-	34,618,204
Investment in associates	-	-	-	-	379,941	379,941
Loans and advances, net	49,558,579	53,437,708	79,780,753	91,621,206	-	274,398,246
Overdraft	5,628,450	-	-	-	-	5,628,450
Credit cards	1,465,172	-	-	-	-	1,465,172
Consumer loans	223,230	334,581	30,009,005	63,392,454	-	93,959,270
Commercial loans	40,468,477	53,103,127	49,771,748	28,228,752	-	171,572,104
Others	1,773,250	-	-	-	-	1,773,250
Other real estate	-	-	-	-	670,470	670,470
Property and equipment and right of use assets, net	-	-	-	-	5,467,247	5,467,247
Other assets	1,124,398	-	-	-	1,422,722	2,547,120
Accounts receivable and others	1,124,398	-	-	-	1,422,722	2,547,120
Total assets	81,510,487	57,577,988	96,810,901	125,737,178	25,212,375	386,848,929
Liabilities and shareholders' equity						
Due to banks and other financial institutions	19,677,628	13,541,251	9,245,147	-	-	42,464,026
Current accounts	2,125,426	-	-	-	-	2,125,426
Money market deposits	17,552,202	13,541,251	9,245,147	-	-	40,338,600
Negative fair value of derivatives	12,310	70,190	605,612	2,740,463	-	3,428,575
Customer deposits	225,145,385	14,766,885	12,596,578	2,398,776	-	254,907,624
Demand	119,606,683	-	-	-	-	119,606,683
Saving	1,400,147	-	-	-	-	1,400,147
Time	87,909,609	13,016,368	10,891,876	2,274,400	-	114,092,253
Other	16,228,946	1,750,517	1,704,702	124,376	-	19,808,541
Debt securities in issue and term loan	277,300	-	10,125,000	2,970,322	-	13,372,622
Other liabilities	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Accounts payable and others	1,083,690	103,203	324,196	600,330	10,306,592	12,418,011
Shareholders' equity and Tier 1 sukuk	-	-	-	-	60,258,071	60,258,071
Total liabilities and shareholders' equity	246,196,313	28,481,529	32,896,533	8,709,891	70,564,663	386,848,929

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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, 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	122,091	-	-	8,636,328	-	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	-	-	-	-	56,173,349	56,173,349
Total liabilities and shareholders' equity	220,392,393	39,490,606	19,924,123	13,448,677	66,397,058	359,652,857

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 20 c) .

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument

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

2023 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	2,322,845	-	-	2,322,845
- Mutual funds	2,322,845	-	-	2,322,845
Investments Held as FVOCI	20,487,008	-	680,767	21,167,775
- Fixed rate securities	19,534,543	-	-	19,534,543
- Floating rate securities	2,453	-	-	2,453
- Equities	950,012	-	680,767	1,630,779
Positive fair value derivatives	-	3,668,130	-	3,668,130
Financial liabilities measured at fair value				
Negative fair value derivatives	-	3,428,575	-	3,428,575

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

The fair value of loans and advances amounted to SAR 275,392 million (carrying value: SAR 279,321 million) (2022: fair value SAR 240,552 million and carrying value SAR 247,120 million).

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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 31,934 million with carrying value SAR 34,618 million (2022: fair value SAR 30,742 million and carrying value SAR 33,367 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued and term loan at December 31, 2023 and 2022 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

	2023 SAR'000	2022 SAR'000
Opening balance	554,576	537,534
Total gains or losses		
- recognised in other comprehensive income	121,394	(8,907)
Other movements	2,452	(18,801)
Purchases	2,345	44,750
Closing balance	680,767	554,576

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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

38. 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:

	2023 SAR'000	2022 SAR'000
a) Major Shareholders		
Loans and advances	235,000	335,000
Customer deposits	10,157,328	21,560,183
Derivatives asset (at fair value)	(1,843)	(2,805)
Commitments and contingencies (irrevocable)	1,015,000	915,000
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	729,585	498,622
Customer deposits	432,171	129,210
Commitments and contingencies (irrevocable)	986,713	1,261,154
Executive end of service	30,495	27,070
c) Associates		
Loans and advances	48,000	61,667
Customer deposits	140,336	254,486
Commitments and contingencies (irrevocable)	462,911	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.

	2023 SAR'000	2022 SAR'000
Group's mutual funds:		
Customer deposits	-	590,000

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2023 SAR'000	2022 SAR'000
Special commission income	56,784	43,458
Special commission expense	1,151,280	687,828
Fees from banking services, net	294,893	406,157
Directors and committees remuneration and expenses	7,025	6,843
Executive remuneration and bonus	114,562	123,719
Executive end of service	5,751	3,672
Other expenses	43,710	32,209

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

39. 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.

Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above Basel prescribed minimum.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk.

The current year numbers are presented as per Basel III final reform issued by SAMA (circular number 44047144) effective from January 01, 2023, while the prior period is based on Basel III regulations.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios

	2023 SAR'000	2022 SAR'000
Top consolidated level		
Common Equity Tier 1 Capital(CET 1)	53,451,132	49,465,033
Total Tier 1 capital	60,013,632	56,036,158
Tier 2 capital	10,498,335	9,316,463
Total Tier 1 + Tier 2 Capital	70,511,967	65,352,621
Risk weighted assets		
Credit risk weighted assets	318,801,964	283,847,741
Operational risk weighted assets	13,461,109	21,401,471
Market risk weighted assets	7,843,841	5,175,650
Total Pillar 1 Risk Weighted Assets	340,106,914	310,424,862
CET 1 Ratio %	15.72%	15.9%
Tier I Capital Adequacy Ratio	17.65%	18.1%
Total Capital Adequacy Ratio	20.73%	21.1%

40. PROFIT SHARING INVESTMENT ACCOUNT

The PSIA policy document was developed to define the roles & responsibilities of board & senior management , product governance, profit calculation & distribution mechanism, terms & conditions of the contract and disclosure requirements in financial statements and to the Investment account holders. The gross financing includes the Bank's ijara portfolio. The deposits raised through Islamic Saving Account forms a pool of funds, invested in Islamic assets. The size of these keeps varying depending upon placement of new deposits or withdrawal by the customers. Bank have a share in the profit earned on the pool of funds based on a Profit-Sharing Ratio.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

40. PROFIT SHARING INVESTMENT ACCOUNT (continued)

a) Analysis of PSIA income according to types of investments and their financing:

As of December 31, 2023 & 2022, all joint financing is funded by comingled pool which includes funds from Unrestricted Investment Accountholder ("IAH").

	2023 SAR'000	2022 SAR'000
Ijarah	3,582,720	2,538,278
Total financing and investments	3,582,720	2,538,278

b) The basis for calculating and allocating profits between the Bank and the IAHs

	2023 SAR'000	2022 SAR'000
Pool Income from Investment	24,235	19,628
Total Pool Income	24,235	19,628
Total amount paid to IAH Mudaraba	1,648	1,483
Total amount attributable to shareholders pool	1,648	1,483

41. 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.

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

42. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 93.5 billion (2022: SAR 82.1 billion).

The Bank's assets under management include non-interest based funds amounting to SAR 14.4 billion (2022: SAR 24.2 billion).

43. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of 31 December 2023, most of the impacted financial instruments have transitioned to alternate reference rate.

44. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

45. EVENTS AFTER THE REPORTING PERIOD

On February 13, 2024, final dividends of SAR 2,246 million at SAR 0.75 per share was proposed for 2023.

46. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Sha'ban 2, 1445 H (corresponding to February 12, 2024).



Abdullah A. Al-Oraini
Chief Financial Officer



Nadir S Al-Koraya
Chief Executive Officer



Eng. Abdullah M. Al-Issa
Chairman of the Board

