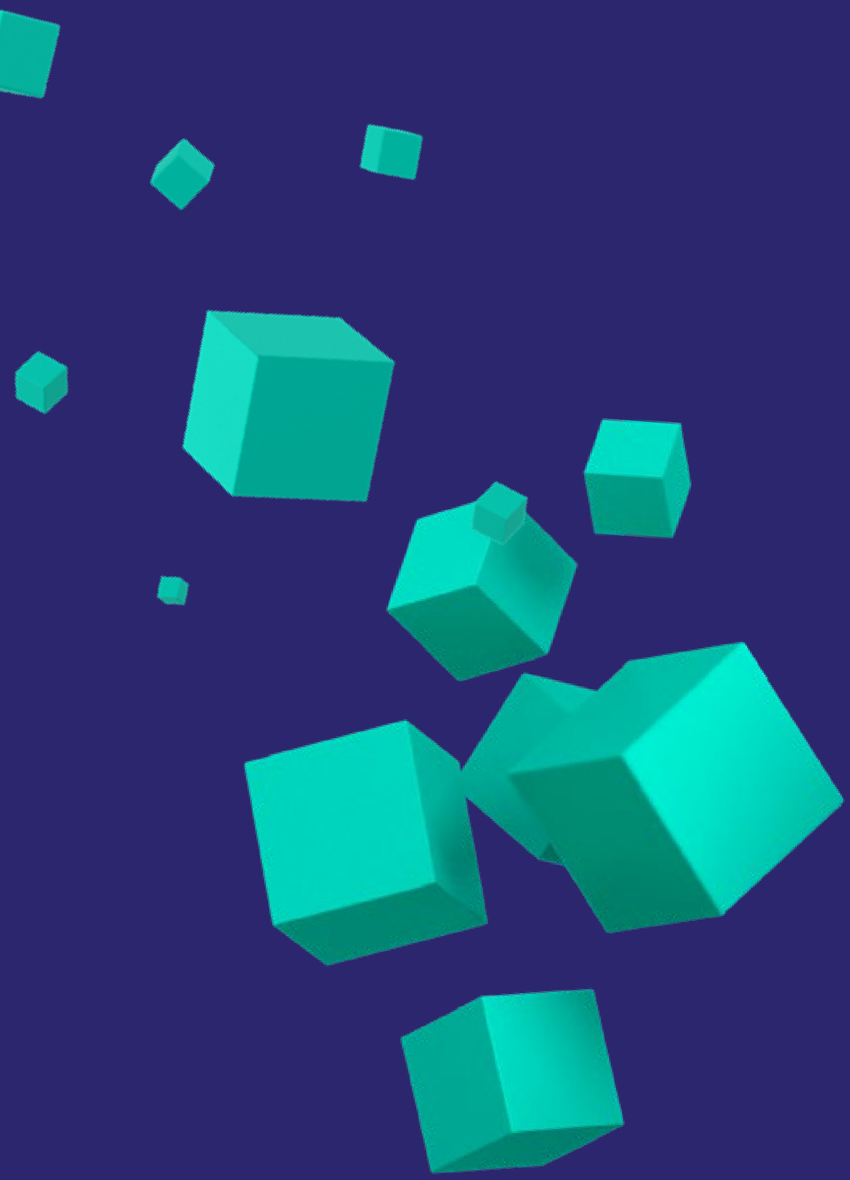
ACCELERATING GROWTH AND INNOVATION

Annual Report 2021



We are accelerating towards a better future. As our market, sector and customers' needs continue to evolve, Riyad Bank will remain at the forefront of this transformation, supporting, engaging and creating value for all our stakeholders.

RIYAD BANK
ANNUAL REPORT 2021

This Annual Report describes the performance and achievements of Riyad Bank in 2021, 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.

Chairman's Statement
Riyad Bank will be recognized as the leading bank in the Kingdom by 2025.
P22

The new Riyad Bank HQ

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

Reporting Period
The report covers the period from 1 January to 31 December, 2021 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, 2020.

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

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

Queries
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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. You can find it at

https://riyadbank2021.annualreport.plus/en/

01 OVERVIEW

02 STRATEGIC REVIEW

03 ESG REVIEW

04 FINANCIAL STATEMENTS

The report covers the period from 1 January to 31 December, 2021 and is consistent with our usual annual reporting cycle for financial reporting.

About Riyad Bank

Year established

1957

Paid-up capital

SAR 30 Bn

Riyad Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia and the Middle East. It was established in 1957, and its current paid-up capital is SAR 30 Bn. Our professional and dedicated Staff base is one of the main reasons for our success throughout the years. With more than 5,600 employees, we take pride in being a Saudi organization with one of the highest Saudization rates of 95%.

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

We provide a comprehensive range of products and services fully conventional and compliant with the Islamic Sharia' to meet the needs of both retail and corporate customers, including small and medium-size enterprises. We play a leading role in various areas of finance and investment around Saudi Arabia, distinguishing us as a leading financier and arranger of syndicated loans in the oil, petrochemicals and most of the Kingdom's notable infrastructure projects.

We offer innovative and remarkable financing solutions through a network of 340 licensed branches, and more than 138,511 POS, in addition to more than 2,242 ATMs well distributed in strategic and carefully selected locations around the Kingdom. Since global expansion is essential for some of our customers outside the Kingdom, a branch in London, an Agency in Houston (USA) and a Representative Office in Singapore, and soon in China help in supporting the international banking needs of such customers.

Our electronic banking services (web-based and mobile applications) use the latest electronic technologies to address the banking needs of our customers with utmost ease, convenience and security.

Riyad Capital is a leading player in the IPO advisory business and asset management, having won numerous investment awards in Saudi Arabia in categories ranging from "best mutual fund performance" to "best fund manager".

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.

Treasury and investments

Principally providing money market, trading and treasury services, derivative products 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 impact of operating segment of the Bank with regard to contribution to 2021 results

Sector	Net income before zakat (SAR Millions)	%
Retail banking	1,233	18.4%
Corporate banking	2,444	36.4%
Treasury and investments	2,347	34.9%
Investment banking and brokerage*	694	10.3%
Total**	**6,718**	**100.0%**

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

At a Glance

Operational Highlights

Branches
340

Employees
5,600+

ATM machines
2,242

Saudization rate
95%

Points of sale
138,511

Financial Highlights

Total assets
SAR 326 Bn

Operating income
SAR 11.6 Bn

Net loans
SAR 217 Bn

Operating income mix by segment

Retail Banking	32.4%
Corporate Banking	37.3%
Treasury and Investment	21.9%
Riyad Capital:	8.4%

Deposits
SAR 212 Bn

Net income
SAR 6.0 Bn

Riyad Bank within
Top Ten
Largest Banks in Gulf Cooperation Council Region

Riyad Bank named
Best Bank
for SMEs in the Middle East

Riyad Bank is on the list of the
40 Most Powerful
Arab companies in the world

Launched the next stage of our
Transformation Program

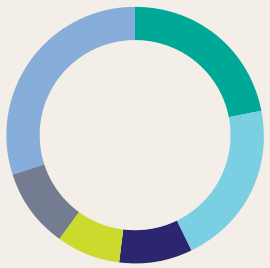
Ratings

BBB+
S&P

BBB+
Fitch

Shareholder mix

PIF	21.8%
GOSI	21.1%
AlNahla Group	8.7%
Assilla Investments	8.0%
Foreign	9.9%
Other	30.5%



01 Overview

We are on a journey to become the Bank of choice for customers, employees, and shareholders across the Kingdom and beyond.

Our Journey

For over six decades, Riyad Bank has been a key player and pioneer in the Kingdom's financial sector, supporting our customers, communities, and government to fulfil their visions.

1957

Riyad Bank established with initial share capital of SAR 50 Mn

1960

Al-Watani Bank merged with Riyad Bank

1992

Share capital increase to SAR 2 Bn

2005

Share capital increase to SAR 5 Bn

2008

Share capital increase to SAR 15 Bn

Launch of Riyad Capital

2013

First Bank to receive SAMA license for mortgages and auto leasing

2014

Share capital increase to SAR 30 Bn

2018

Launch of 2022 Transformation Program

2019

Launch of dedicated office to align and support Saudi Vision 2030

Launch of "Bukra" Social Responsibility Strategy

Ranked one of Top Ten Largest Banks in the GCC

Named best bank for SMEs in the Middle East

2020

Listed among 40 most powerful Arab companies in the world

Launched second stage of Transformation Program for 2021-2025

Year in Review 2021

Transformation 2025

January
- New phase of our Transformation 2025 Strategy activated to create value through innovation, enablement through next gen operating model and efficiency through digitization

Sukuk Program

February
- SAR 10 Bn Sukuk Program established, with first tranche of SAR 3 Bn issued in February and oversubscribed 1.9x

Support and motivate

March
- MoC and Agency Agreement signed with National Companies Promotion Program (NCPP) to support and motivate large and promising Saudi companies
- Collaboration Agreement signed with National Industrial Development and Logistics Program (NIDLP) to enable businesses in the industrial and logistics sector

Token for kids

April
- Token, the Kingdom's first mobile banking and financial literacy platform for kids, launched to teach children healthy banking and money practices
- Agreement to purchase a tower at King Abdullah Financial District to become the permanent headquarters of Riyad Bank

Participation in the Red Sea
Programs with (TDF)

- SAR 2.95 Bn participation in the Red Sea Development's syndicated facility
- 3 programs (Agency, 100% and 90%) signed with Tourism Development Fund (TDF)

SAR 2 Bn tourism projects

May
- Tourism Partners Program launched with Tourism Development Fund (TDF) with financing of up to SAR 2 Bn to support tourism projects

WSL platform and program for Open Innovation

June
- Sales Unit thats fully dedicated to better serve the bank's ultra High Net-worth individuals
- The bank pioneered Open Innovation in the region by being the first to launch WSL, a platform and a program to support innovation and lead on open banking.
- Collaboration Agreement signed with SPARK to develop future initiatives for the present

In a year of strategic execution and accelerating growth, Riyad Bank realised a number of important milestones and achievements, on our journey to be the Bank of Choice in the Kingdom.

Corporate real estate sector

July
- MoU signed with Developers Services Center (ETMAM) to enable businesses in the real estate sector

August
- MoU signed with Cultural Development Fund (CDF) to enable businesses in the cultural sector

Digitally active banking

September
- More than 70% of new to bank clients acquired digitally

MoU with Roshn
Sports center

October
- MoU with Roshn, a Saudi community developer powered by PIF, to finance Roshn units
- SAR 1.5 Mn agreement with Association of Al-Wafa Oasis signed to fund a sports center for the elderly
- Economic Research Department established under Finance with strengthened capabilities to deliver value for the Bank and its stakeholders

New Initiatives

November
- MoU signed with Desert Technologies to support green and renewable banking projects
- MoU signed with Umm Al Qura Development and Construction to develop MASAR Business Center
- 2 Initiatives worth SAR 6 Bn launched with NIDLP to support and localize products manufacturing

25% YOY growth

December
- Riyad Bank's Brand Value surpassed US Dollar 1.236 Bn for the first time on 25% YOY growth, while Brand Rating also improved from AA- to AA

Geographic Footprint

340  Saudi Arabia Branches

Across our broad footprint of over 340 licensed branches and over 2,242 ATMs throughout the Kingdom of Saudi Arabia, as well as our branches and offices in strategic locations in America, Europe and Asia, Riyad Bank is perfectly positioned to serve the diverse needs of all our customers.

INTERNATIONAL OFFICES

London, UK
Branch

Houston, USA
Agency

Singapore
Representative
Office

Soon in China

2,242
ATM Machines

138,511
Points of sale

Theme Chapter

Accelerating Growth and Innovation

Riyad Bank has a vision to become the 'Best Bank in Saudi Arabia' through its strategic transformation agenda that will accelerate growth and innovation in the years ahead.

1

We are committed to leveraging the full force of our strengths, resources and capabilities to achieve this ambition through the execution of our customer-centric growth strategy, creating value through continuous innovation, driving efficiency through digitization, and building enablement through our next gen operating model.

2

This year we continued to invest in digitization across our operations and in our people, processes, and products to remain at the leading-edge of our sector and create sustainable value for our stakeholders.

3

The acquisition of our new headquarters building positions the Bank for the future and demonstrates our commitment to creating a best-in-class environment for our employees, as we continue to delight our customers by continuously modernizing and improving our award-winning portfolio of engaging channels, services, and solutions.

We are on a journey to become the Bank of choice for customers, employees, and shareholders across the Kingdom and beyond.

Investment Case

1

A well-connected bank in the Kingdom of 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, with more than 60 years of history and the first joint stock banking company to be established in Saudi Arabia. The Bank has an extensive branch network operating through 340 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:

- 2018: Launch of 2022 Transformation Program
- 2019: Launch of dedicated office to align and support Saudi Vision 2030
- Launch of "Bukra" Social Responsibility Strategy
- 2020: Ranked one of Top Ten Largest Banks in the GCC
- Named best bank for SMEs in the Middle East
- One of Top Ten Largest Banks in the GCC
- Named best bank for SMEs in the Middle East
- Listed among 40 most powerful Arab companies in the world
- Launched second stage of Transformation Program for 2021-2025

2

Well positioned for growth in line with Saudi Vision 2030

The Bank has a clear growth strategy, aligned with the Saudi Vision 2030 aspirations. In 2021, the Bank completed their strategic initiatives design and detailing and plans to execute them in 2022. We have also established a Business Initiatives and Enablers Development Center (BIED), which happens to be the first center in the Kingdom specifically designed to develop initiatives to support business enablers for the government and private entities working jointly to achieve the goals of the Kingdom's Vision 2030. The Bank's diversified model offers us great opportunities to grow, the Bank will execute its ambitious plans by continuing to invest in our core business strengths, delivering world class technology and digital capabilities to our customers.

Key Pillars of the Bank 2025 Strategy:

- Most profitable
- Most efficient
- Digitally enabled
- Bank of choice

3

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

Proven earnings generation capabilities supported by a strong capital position, high levels of liquidity and stable deposit base provide a robust foundation for meeting demands of customers and delivering a sustainable return to shareholders.

Key Ratio's:

- CET1: 15.8%
- Total CAR: 19%
- Leverage: 11.8%
- LCR: 168%
- NSFR: 116%
- ROAE before zakat: 14.7%
- ROAA before zakat: 2.1%
- RoRWA: 2.0%

4

A responsible Bank with strong governance and an experienced leadership team

The Bank has a very robust corporate governance framework and risk management process, that strives to do the right thing for all our stakeholders. The Bank has 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

5

A Bank with ESG at the heart of its operations

The Banks' commitment to Environmental, Social and Governance (ESG) factors, started well 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.

Key Drivers and Accomplishments:

- Green and Renewable Banking: SAR 7.4 Billion Riyad Bank's financing contribution
- The bank received the 'Mowaamah Golden Certificate' for creating a work environment suitable for people with disabilities
- Full alignment of our 2025 Strategy with the objectives of Saudi Vision 2030

02

Strategic Review

Amidst a rapidly evolving banking landscape, both within the Kingdom and around the world, Riyad Bank has proven to be strategically agile and responsive.

Chairman's Statement

It gives me immense pleasure to present Riyad Bank's 2021 Annual Report, including the Bank's financial performance, its strategy, and successes over the year, its ambitions, and goals for the future.

The Bank's achievements have given us the opportunity to expand its horizons and accelerate its growth on new levels. As a key contributor to the Kingdom's digital banking revolution, we continuously seek to reinforce our position as the trusted, secure, and innovative choice for all our customers.

Saudi Arabia's economy has been incredibly resilient in the face of COVID-19 and even grew at its fastest pace in nearly a decade during parts of 2021. Foreign investment and diversification have played a prominent role at a national level and set a positive tone for many businesses across almost all sectors, not least finance.

While many banks around the world saw their market value drop substantially during the pandemic, the decline among Saudi banks was much smaller and their recovery much swifter, many are now close to, if not above, pre-pandemic levels.

As one of the cornerstones of the Saudi economy, banking has proved itself to be among the main drivers of economic and commercial activities, and we are proud of our contributions at this level.

Saudi Arabia's banking sector was guided to a large extent by the pillars of the Kingdom's Vision 2030 and the desire to provide a more personal service to individual customers; a consolidated strong and multiple relationship with the corporate sector, in addition to providing enhanced and diversified support to small and medium-sized businesses. From the enormous rise in individual mortgages to the mass adoption of digitisation, Riyad Bank had the resources and expertise to lead many of those initiatives.

The objectives of achieving the Kingdom's Vision 2030 have played a vital role in many of the strategies that were implemented throughout the year. Our focus on digital platforms, SMEs, green energy, and project financing with government entities are all geared towards the Vision, including our investment in sustainability, support of youth and commitment to homeownership.

In fact, our commitment to supporting and aligning with Vision 2030 and its goals has led us to launch a dedicated office to foster partnerships, initiatives, and projects to support the national agenda across a wide range of initiatives, in line with our Strategy 2025.

During the year, five MoUs and ten execution agreements were signed, and four high-impact initiatives were launched in some key strategic sectors that contribute to 96 distinct Vision 2030 KPIs.

The Bank also engaged in providing financial consultations and designing creative initiatives and financial programmes, offers customised comprehensive financial solutions for the entities and designing financial business models between the entities and their individual and corporate clients, to align and support the goals of Saudi Vision 2030.

Our inspiration to enhance and develop existing and new businesses was also key to launching the Business Initiatives and Enablers Development Center, the first of its kind in the Kingdom.

Our wholehearted commitment to SMEs has continued throughout 2021, a year in which the Bank received the Outstanding Performance Award and the award for the Best Small and Medium Enterprises Bank by international magazine Euromoney.

We also expanded our operations for smaller businesses by adding 29 dedicated centres across the Kingdom, while fully digitising the lending process for SMEs.

As ever, social responsibility has been a core strategy at the Bank. We believe our contribution extends far beyond delivering customer excellence, we are also at the heart of the community's wellbeing and quality of life.

Launch of

29

Small Business Centers

In 2021, the Bank made substantial progress in our Sustainability objectives, initiatives and programmes.

With a Vision to be a leading member of sustainable practices that would add value to employees, customers, stakeholders, and the community of Saudi Arabia, Riyad Bank aligns its practices with The Guidance on Social Responsibility (ISO 26000), Accountability Principles Standard (AA1000), The Global Report Initiative (GRI), the UN Global Compact. We work to continuously measure, report, and improve our programmes, in line with our overall ESG strategy and focus.

In 2021, the Bank made substantial progress in our objectives, initiatives, and programmes in this field. Our commitment was highly valued by the community and recognised through a number of awards, recognitions and certifications related to this activity.

In recognition of Riyad Bank's tangible efforts in promoting the environment value, the Bank received the award for the 'Best sustainable educational program', presented by the Gulf Sustainability Awards. It is a source of great pride that pushes us to continue our commitment to the highest levels of social responsibility in the Kingdom, and to adopt new programmes in this field.

Riyad Bank received the 'Outstanding Winner Award for Customer Excellence' from the Mohammed bin Rashid Al Maktoum Business Award.

Riyad Bank's acquisition of its iconic new office tower at King Abdullah Financial District, the new general management headquarters, has not just been a strategic and practical move, it is also symbolic of our ongoing success. Our employees have been exceptional in 2021 and in turn we have endeavoured to increase their skills, provide greater incentives, possibilities and further reward their efforts and outstanding performance.

As a reflection of the Bank's continuous interest in the competencies of its young Saudi national employees, Riyad Bank Academy was officially inaugurated this year to empower young and promising talent. We also continued to drive diversity and were recognised for our dedication to gender equality in job benefits and opportunities by winning the 'Best Work Environment Award for Women in Saudi Arabia' and achieving the 'Mowaamah Golden Certificate' for our commitment to creating work in an environment suitable for people with disabilities.

We constantly strive to maintain our philosophy as the best work environment and achieve our goal as Bank of Choice for Employees by 2025.

Our digital transformation in 2021 was one of the Bank's largest undertakings. The sheer scale and sophistication of the technology we have put in place has enabled us to expand our services in a highly efficient and capable manner.

The effective inter-departmental coordination and meaningful cooperation in the various Bank sectors has led to optimised solutions for challenges and created the potential for many mutual opportunities, perfectly aligning with our own 2025 Strategy and contributing to the achievement of Saudi Vision 2030.

Our overriding goal for 2021 was to support our existing customers, attract new customers and develop the Bank's activities and business, in accordance with Phase 2 of our 2025 Strategy, where value through innovation, enablement through the next-gen operating model and efficiency through digitisation are key pillars.

Our strategic focus for 2022 is to increase the digital routes we have laid down while adding more partners and projects to the Bank's portfolio. Ultimately, we will intensify the Bank's operations, consolidate our position as one of the Kingdom's most innovative financial institutions and upgrade the standards of the business environment and its surroundings in accordance with our 2025 Strategy. We have laid the foundations to not just meet but exceed our expectations.

Over the year, in a new regional achievement for the Saudi banking sector, Riyad Bank received the Outstanding Winner Award for Customer Excellence, which was presented for the first time under the umbrella of the Mohammed bin Rashid Al Maktoum Business Award. The Bank also received the Mohammed bin Rashid Award for Customer Excellence.

These prestigious awards confirm the outstanding level and high strategic efficiency enjoyed by Riyad Bank in the field of customer experience development, raising service delivery standards and meeting banking needs to contribute to the development of banking industry standards in accordance with the objectives of the Kingdom's Vision 2030.

The Sheikh Mohammed bin Rashid Al Maktoum Business Award is distinguished by its moral value and esteemed reputation due to its tight criteria in selecting the best performing entities in various business sectors.

We, at Riyad Bank, have the honour to extend our deepest thanks and gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and his Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz – may Allah protect them and grant them success.

Further, Special thanks to all government and regulatory bodies, especially the Saudi Central Bank, Ministry of Finance and Capital Market Authority for their efforts in supporting and developing the Saudi banking sector.

We also extend our thanks and appreciation to the Members of the Board of Directors for their support; to our shareholders for their trust and loyalty; and to all Riyad Bank employees for their dedication and outstanding performance during this eventful year of achievements.

Abdullah Mohammed Al-Issa
Chairman of the Board

Business Model

Riyad Bank is on a strategic journey to become the Bank of Choice in the Kingdom of Saudi Arabia, leveraging our market position and strengths to create significant and sustainable value for our stakeholders, clients and partners.

Our Strengths

Financial Strength
- SAR 326 Bn in Assets
- SAR 217 Bn in Loans
- SAR 212 Bn in Deposits

Rating Strength
- Fitch- BBB+
- S&P – BBB+

Operational Strength
- 340 Licensed Branches
- 2,242 ATMs
- 138,511 PoS

Human Capital Strength
- 5,600+ Employees
- 27% Women
- 95% Saudi Nationals

Innovation Strength
- Launched WSL innovation platform
- 14 Fintech participants
- USD 8.25 Mn total equity

Vision 2030 partners
- Launch of dedicated office to align and support Saudi Vision 2030
- Submitted 22 proposals and initiatives related to the Vision

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
- Investment and brokerage services

Our Stakeholders

Our Shareholders
- 2.01 EPS
- 10% QFI

Our Employees
- 76 points OHI with 98% participation rate
- 42% female recruits in 2021

Our Brand*
- SAR 4.6+ Bn Brand Value
- 78% 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 12 of 17 USDGs
- Mowaamah: Gold certificate best standard and practices in creating work environments for people with disabilities

*Brand Finance

Strategy and KPIs

Amidst a rapidly evolving banking landscape, both within the Kingdom and around the world, Riyad Bank has proven to be strategically agile and responsive. The ongoing technological disruption and increasingly competitive landscape, amplified and accelerated by the impact of COVID-19 on our people, operations and customers, has catalyzed a strategic shift for the Bank.

Building on the success of the Bank's strategy to transform the core engine, as well as our firm commitment to support and align with Saudi Vision 2030, we refreshed our 5-year strategy for 2021-2025. This customer-centric strategy will guide the Bank's growth and innovation over the coming years, with the ultimate ambition to become the best bank in the Kingdom.

OUR STRATEGIC DRIVERS

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

Accelerate growth and innovation

Value through innovation

Creating new markets through digital eco-systems, disrupting me-too propositions, integrating Advanced Analytics into BAU

Efficiency through digitization

Improve organization productivity including front to back digitization

Enablement through next gen operating model

Transforming core technology infrastructure and operating model through agility

OUR STRATEGIC PILLARS

By 2025, our new corporate strategy aims to make Riyad Bank the best bank in the Kingdom across 4 key dimensions:

STRATEGIC PILLAR	Most Profitable	Most Efficient	Digitally Enabled	Bank of Choice
PILLAR DESCRIPTION	We aim to be the most profitable bank in the Kingdom amongst top peers.	We aim to be the most efficiently and effectively run bank in the Kingdom amongst top peers.	We aim to be the most modern, innovative and digitally enabled bank in the Kingdom.	We aim to be the Kingdom's bank of choice for both customers and employees.
HOW WE MEASURE SUCCESS	Various profitability ratios	Cost to Income Ratio	Various Digital ratios	NPS and Organizational Health Index
2021 ACHIEVEMENTS	• 14.7% RoAE (3rd in KSA) • 2.1% RoAA (2nd in KSA) • 13.6% Net loans and advances increased	• Approximately SAR 200 Mn in cost savings in 2021, through cost saving initiatives • 34.4% cost to income ratio	• More than 70% of new to bank clients acquired digitally • Over 82% of our customers have enrolled for digital services	• 75% NPS score • 27% female employment • Best Working Environment for Women (Best Place to Work Organization) • Best Employer Brand Award for 2nd year in a row from Global Business Outlook • Best Bank for SMEs (Asia Money Excellence Award) • 75% in customer satisfaction index from Saudi Central Bank

To support and align with Saudi Vision 2030, we launched our 5-year strategy for 2021-2025.

CEO's Message

A year of innovation

Net profit of Riyad Bank

SAR 6 Bn

Highest Net Income in Riyad Bank's history

It has been a truly remarkable year for Riyad Bank as we developed our technology, introduced new operations and capitalized on our advantages, in line with the ambitions of our 2025 Strategy. We continued to enhance our performance-driven culture and our ability to collaborate for success, while expanding our services with unprecedented speed and agility and maintaining our customer-centric philosophy. The results have been remarkable – including the highest net income in the Bank's history.

Our strategic aim for 2021 was primarily to focus on delivering better and broader services for our existing customers, attracting new customers and expanding our reach with an emphasis on technology, SMEs, sustainability and collaboration with government entities.

Through a comprehensive digital restructure, each of our business divisions was able to work both independently and collectively. Our innovation in 2021 was exceptional and gave the Bank an enormous advantage in achieving our strategic targets.

Robust financial performance

Riyad Bank delivered a landmark financial performance in 2021, posting our highest net income in history at SAR 6.0 Bn, reflecting increases in net investments by 3.9%, total assets by 5.0% and net loans and advances by 13.6%.

We delivered the second highest return on assets in the Kingdom's banking industry this year, moving up from third last year, while also rising one spot in return on equity after Zakat, to reach third place in the Kingdom.

SAR Sukuk program was established with a value of SAR 10 billion. And in 2021, the first issuance of that program, SAR 3 billion, was oversubscribed 1.9x, demonstrating the strength of our financial position and brand quality with investors.

Exceptional achievements across our Bank

We made great progress across our operations this year, with continuous investment in people, products, processes and platforms to delight customers at every stage of their banking journey, which is critical in delivering on the aspirations of our 2025 Strategy.

Retail Banking

A significant addition to our high priority services was to offer our customers a greater variety of mortgage options, including a range of off-plan variants, self-construction and refinancing.

In line with our family finances strategies, we launched the Kingdom's first mobile banking platform for children which enables them to enhance their financial literacy and build a habit of saving.

Continuing the drive to make technology the hub of our retail division, cash withdrawal transactions at ATMs declined in relation to pre-pandemic banking. By the same token, POS contribution in monthly transactions increased significantly reaching approximately 80%. Similarly, the ease and efficiency of banking led us to deploy 80 self-service kiosks.

Our digital restructure in terms of Retail Banking was a huge triumph in client recruitment – 70% of new customers were acquired through digital channels.

In our 2021 retail Net Promoting Score, ratings of the call centre score rose by 457% compared to 2020 and 94% of calls were answered within seven seconds, demonstrating the satisfaction of our customers in our products and service.

Corporate Banking

Corporate Banking had another busy and successful year driving positive change and supporting our customers. Corporate Finance submitted 22 proposals and initiatives related to Vision 2030 to various entities during the year.

Reinforcing our strategic focus on green investments, we successfully closed several major syndicated facilities for solar projects and energy players and supported the green-funded giga-projects.

With regards to institutional fund lending, we signed five major loans and successfully completed a financial advisory mandate for another major energy player. We supported many of the largest tourism initiatives, including the Red Sea Project, and recently launched the Tourism Partners Program with the Tourism Development Fund (TDF).

SMEs

Riyad Bank expanded its operations for smaller businesses by adding 29 dedicated SME centres across the Kingdom, while building an end-to-end digital platform to fully digitize the lending process for small and medium-sized enterprises.

Riyad Bank enhanced the Bank's workforce capacity and capabilities to better serve SMEs by: increasing the number of employees dedicated to serving SMEs, expanding the number of dedicated SME centres across the Kingdom, increasing the man-days of training provided to SME staff, investing in training SME customers to improve their business capabilities, and initiating workshops held for SMEs and entrepreneurs.

Treasury and Investments

Consistent with the business growth in our private banking and retail customers, T&I dedicated specific units to work with ultra-high-net-worth customers and better understand and serve their needs with customised products and solutions.

In recognition of Riyad Bank successful USD 1.5 Billion Sukuk issuance, T&I has been awarded with the "Financial Institutions Deal of the year" award by GFC Media , out of more than 300 submissions.

Riyad Capital

2021 was a remarkable year for Riyad Capital, with 42% growth of net profit reaching SAR 512 Mn. Assets under management grew remarkably from SAR 67 Bn to SAR 91 Bn (a growth of 36%).

Along with that, Riyad Capital acted as a Financial Advisor, Lead Manager and Book Runner to the landmark Acwa Power IPO transaction where bids from interested investors reached a historic order size of above 1 trillion SAR.

Diversification of offerings continued in all asset classes as it launched the first of its kind "indirect financing fund" along with other alternatives products.

Riyad Capital partnered with BNP Paribas Securities Services to provide global custody, fund services and consolidated data management services in the Kingdom of Saudi Arabia under a unique, and first of its kind in the region, joint servicing model.

Driving Bank-wide transformation

It was an extraordinary year for technology at Riyad Bank. We overhauled our digital services and internal network to produce some of the most efficient operations in the Kingdom's banking community.

In building the framework in a collaborative model for engaging all stakeholders, we created a digital strategy powered by innovation for the first time at the Bank.

Digital services and our innovative infrastructure are now crucial to the Bank's expansion at a rapid pace. The transformation has enabled customers to bank with ease and extended the potential of new services to them.

To fully connect Riyad Bank with the Kingdom's fintech and start-up community, we launched WSL in June, which is the only open innovation platform and service for the financial industry in Saudi Arabia. It will power close collaboration and innovation to allow the Bank to empower innovators to envision and build the financial (or finance dependent) products and services of the future in a seamless way.

We also established our Partnership Centre to serve as a one-stop-shop to manage the Bank's diverse and growing relationships with disruptive Fintechs, and launched our internal innovation programme (Mulhim), a full-fledged digital innovation boot camp with wide participation of the bank community.

In one of the many steps to further its capabilities, the Global Transaction Banking business signed an MOU with Channels by STC for providing collection, payment services, and signed and executed Dividend Distribution Agreements with two major telecommunication companies.

Delivering customer experience improvements

There is no doubt that the customers in any or the Bank's business units will benefit enormously from the digital technology we have put in place, from the speed of their services to the range of products to explore. The outstanding changes in our internal communication channels will ensure that we are 100% connected and able to offer the best results, advice and rewards to our customers in the optimum time.

Our success and commitments to supporting and serving our customers were recognised this year when we received two prestigious awards from The Sheikh Mohammed bin Rashid Al Maktoum Business Award, including the inaugural 'Outstanding Winner Award for Customer Excellence'.

Committed to the ESG journey

Riyad Bank remains committed to creating value for all our stakeholders through a commitment to ESG. This year we continued to progress our journey and build momentum through a range of initiatives across environment, society and governance.

Our donations accounts, opened by various Charities and Associations to supply essential items to the needy, saw almost 320,000 transactions.

We extended our support agreement for the Autism Research Center at King Faisal Specialist Hospital and Research. The total value of the support provided by Riyad Bank to the centre amounted to more than SAR 42 Mn.

We signed a memorandum of understanding with Bab Al Khair Medical Services to establish the first non-profit hospital in the Kingdom.

Riyad Bank also launched a Green Banking initiative to examine and monitor its participation towards ESG compliance, and implemented a pilot launch of our paperless project, making us the first Bank to offer an end-to-end paperless journey for Retail account opening and updates.

Supporting and developing our people

As ever, the teams at Riyad Bank are at the very heart of our operations and thanks to their consistent support, we have managed to break new boundaries and accelerate our growth beyond our own ambitions.

In order to ensure we can maintain that momentum and harvest the very best talent, we inaugurated the Riyad Bank Academy to empower young and promising individuals to share the latest developments in banking and finance, and enhance their capabilities and performance. The Academy will continue to educate and connect more than 6,000 ambitious professionals from different Riyad Bank divisions and branches in various regions.

As a fair and caring employer, we conducted industry salary surveys followed by an annual pay review that benchmarked employees' compensation against the market and best practices. Meanwhile, our performance-based system encourages a highly effective achievement and reward system.

In another effort to build a base of next generation employees, the Human Resources Development trained 75 recruits through its on-the-job training to Saudi youth through its Tamheer Programme.

Having had a hugely successful launch of the Fursan program, we launched two further versions. The first intended for treasury and investment, corporate banking and retail credit, and Fursan 3 which targets retail banking, risk management and finance.

Acknowledgements

In conclusion, we at Riyad Bank have the honour to extend our deep gratitude to the wise leadership, represented by the Custodian of the Two Holy Mosques and his trusted Crown Prince – may God protect them and take care of them.

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

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

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

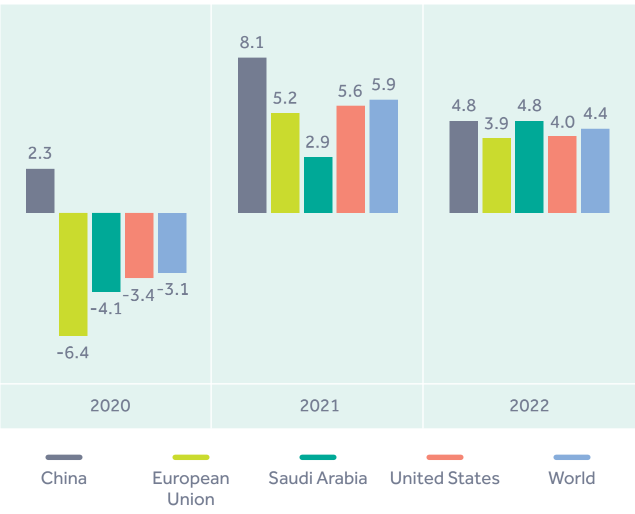
Tareq A. Al Sadhan
Chief Executive Officer

> We are all looking forward to another year full of success and achievements to make further progress towards becoming the preferred bank in the Kingdom through our combined effort, service, and commitment.

Market Overview

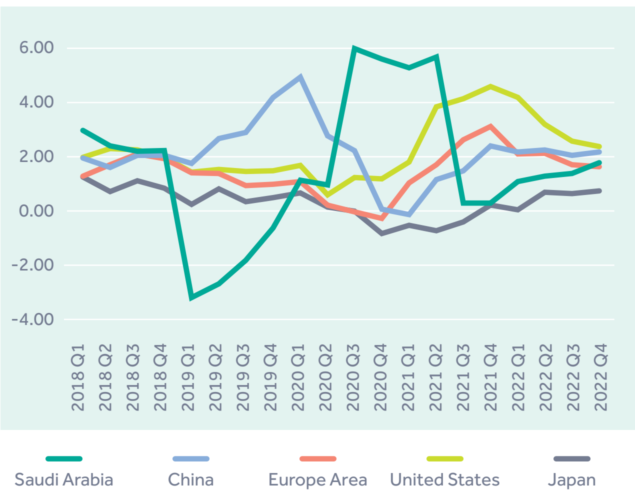
As the Saudi and global economy continue to recover from the unprecedented shocks of the COVID-19 pandemic, we have witnessed strong growth in some markets and sectors, driven by reopening of borders and strengthened oil prices, while others have shown they will take longer to rebound, as COVID-19 continues to impact economies and new challenges such as inflation and disruptions to global supply chains emerged in the wake of the pandemic.

Global Real GDP Growth (Year-over-year)



Source: IMF World Economic Outlook

Global Inflation (Actual Data: 2018-2021 Q3)



Source: IMF World Economic Outlook

Global Economy

The global economy rebounded in 2021 from the crisis caused by the pandemic last year, the strongest post-recession pace in 80 years. However, this recovery will be uneven and the speed and distribution of the recovery hinges on a range of factors with significant downside risks, including supply chains, COVID-19 and its variants, and the speed of withdrawal of accommodative fiscal policies in key global markets.

Overall, accelerating demand has surpassed the supply – a mismatch that has triggered inflation to levels we have not seen in decades. Higher inflation may complicate the policy choices of governments, especially since many countries are relying on expansionary policies to ensure a sustainable recovery.

Advanced economies, which are expected to regain pre-pandemic growth in 2022, are recovering faster than emerging economies, with the exception of China. Growth in the United States is forecast to remain strong at 6% for 2021 and 5.2% next year (IMF), in part due to the robust government spending. Despite the highest rate of inflation in the US in the last three decades, the Federal Reserve has signalled that it will likely keep policy rates near zero through 2022. However, it already began to taper its debt purchases in November 2021, reducing Treasury and agency bond purchases with the aim of ending them completely by the middle of next year. This should ease some of the inflationary pressure, which has been a primary driver of supply chain disruption.

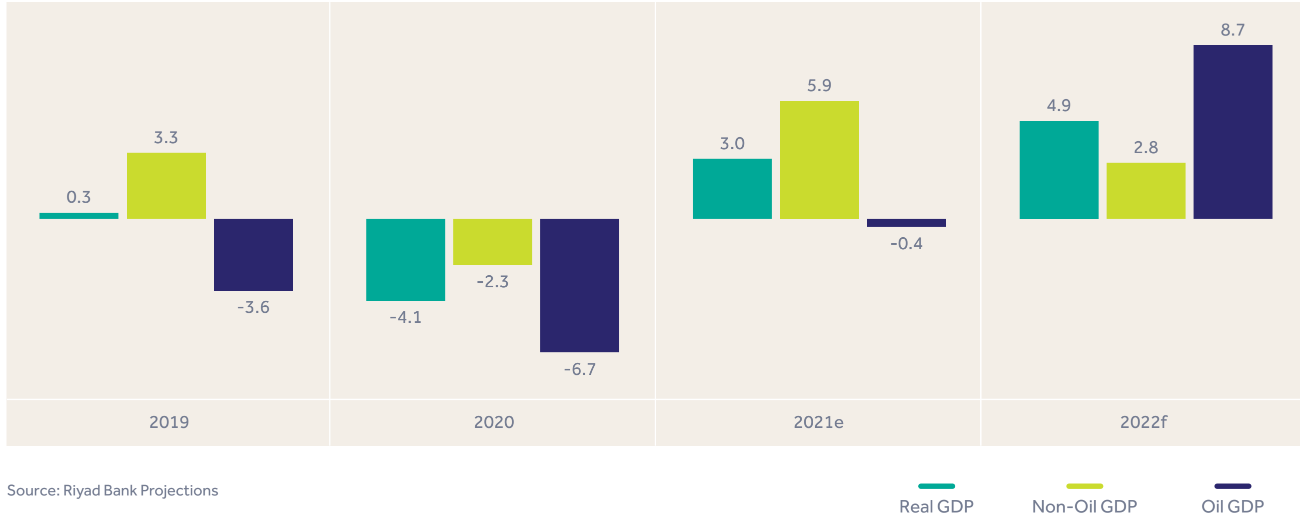
The Euro area is set to experience a strong recovery in 2021, with projected growth of 5.0% (IMF) driven by high vaccination rates, a relaxation of pandemic restrictions, and the disbursement of grants and loans contributing to this recovery. The shortages in the supply side and spikes in the demand side have increased inflation, but it remains at manageable levels, triggering the European Central Bank (ECB) to rule out Eurozone interest rate rises before the end of 2022. Similar to the Federal Reserve action, the ECB is expected to reduce its monthly bond purchases.

Globally, emerging economies delivered projected growth of 6.0% for 2021 (IMF), with a slower rollout of vaccines suppressing even greater growth. The resulting shrinking policy space caused many emerging economies to reduce fiscal support. On the other hand, China achieved estimated growth of 8% in 2021 (IMF), continuing its strong rebound as its manufacturing activity firmed, with industrial production surpassing pre-pandemic levels, through softness remains in travel and tourism due to continuing border restrictions.

Unemployment rate

11.3%

Saudi Arabia Real GDP Growth (Year-over-year)



Source: Riyad Bank Projections

Economies of the Gulf Cooperation Council countries

Following a year of economic weakening due to the dual shocks of COVID-19 and low oil prices, Gulf Cooperation Council (GCC) economies are expected to return to a collective growth of 2.2% in 2021 (IMF). The growth is sustained by the global economic recovery post-pandemic and the rebound of global oil demand, as GCC economies successfully contained the effects of the pandemic on their economies through rapid COVID-19 vaccine rollout and implementation of effective fiscal policies.

Saudi economy

Following a severe slowdown in 2020, the Saudi economy has witnessed a solid recovery from COVID-19 related impacts in 2021, while implementing structural reforms that contributed to the strengthening economy and overall economic resilience of the nation.

Real GDP is expected to grow by 3% in 2021, signalling a robust recovery across economic activities. Non-Oil economic growth is expected to rebound by 5.9% in 2021 and 2.8% in 2022, following a decline by 2.3% in 2020. The recovery in the non-oil economy is led by strong private sector demand and higher PIF investments, in addition to various government programmes targeted at strengthening the non-oil economy.

Similarly, the oil portion of the Saudi economy witnessed a strong recovery this year, on the back of a rebound in oil markets worldwide. Brent crude oil averaged USD 71 per barrel in 2021, after it fell sharply to around USD 27 per barrel in 2020, due to COVID-19 outbreak and its impact on the decline in global demand for crude oil. Consequently, OPEC+ decided to increase oil production by 400,000 barrels per day to meet the increasing demand and keep pace with the accelerating recovery, which led to this translated to a reduction of negative growth from 6.7% in 2020 to an estimated 0.4% drop in the Kingdom's oil GDP in 2021, which is forecast to return to positive growth of 8.7% in 2022 due to higher oil prices and production.

During 2020, SAMA injected more than SAR 100 Bn into the Saudi economy through its COVID-19 support programmes, aimed at supporting the banking sector in its lending activities during the economic slowdown. As a consequence, money supply growth remained elevated throughout 2020 and most of 2021. For 2022, we expect liquidity to remain sufficient to foster the domestic recovery, but with money supply growth rates gradually below current levels.

The Saudi banking sector continued its strong performance in 2021. Credit growth was exceptionally strong, driven by surging residential mortgage loans and increasing corporate loan demand post-pandemic. Sustained government support to the Saudi private sector will support continued strong growth of credit. On the back of the expected accelerating growth of the Kingdom's non-oil economy, we also forecast commercial loans to further rebound in 2021 and 2022.

The Saudi labour market emerged swiftly from the pandemic-induced imbalances. Targeted policies to help maintain and restore job opportunities for Saudis have been successful, particularly in key economic sectors. The unemployment rate dropped to 11.3% in the first half of 2021 compared to 15.4% during the same period last year. Moreover, the rate of participation of women in the Saudi labour force reached a high record in mid-2021 surpassing 34% and looks set to increase in the coming year.

COVID-19 Impact and Response

Society Fund donation

SAR 10.73 Mn

Riyad Bank maintained our vigilance, agility and resilience in response to the continued disruptions and volatility, maintaining our proactive stance in supporting the economy and our diverse stakeholder community from the impacts of the COVID-19 pandemic.

677 tables

Distributed to students to facilitate their study from home efforts

Our Employees

- Achieved 100% full vaccination of our employees
- Implemented 'Safe Return to Office' plan with flexible working hours, while maintaining all health and safety protocols and requirements
- Conducted in-office vaccination campaign that vaccinated over 400 employees
- Maintained flexible working hours and hotlines and app for employees
- Developed employee booklet with general awareness, preventive measures, policies, etc.
- 20+ awareness messages (email broadcasts, text messages and calls)

Our Customers

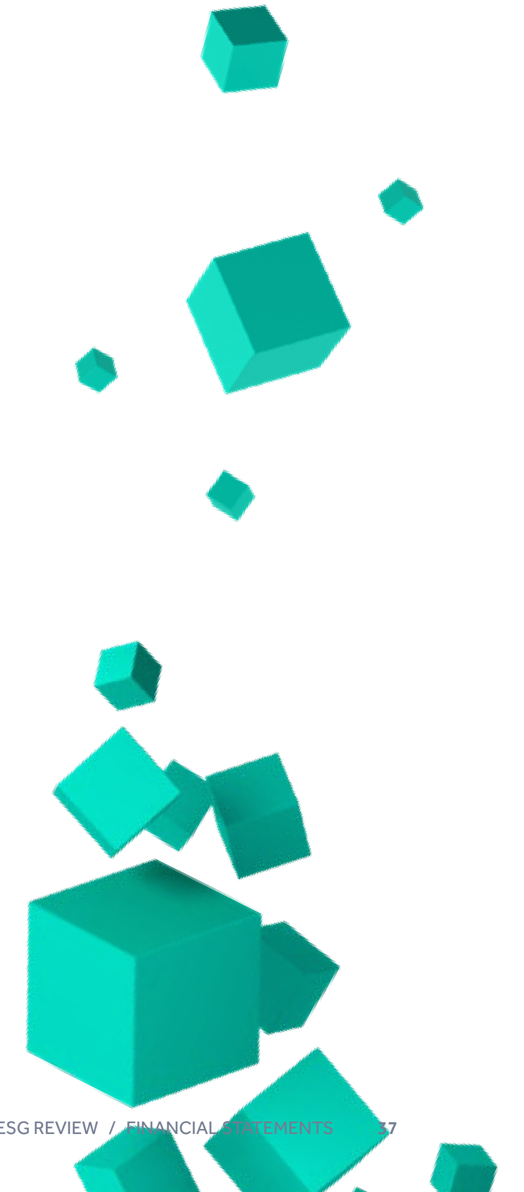
- Within the framework of the initiatives and programs for financing lending, deferring payments and supporting financing guarantees that the Central Bank of Saudi Arabia started in 2020, Riyad Bank continued to contribute to the postponement of loan payments included in the program
- Postponed loan instalments for all public and health workers for 3 months starting from April in recognition of their service during the crisis
- Marketing campaigns to encourage customers to use the digital channels
- Delivering ATM cards to customers' homes
- Health and safety messages at 2,600+ sanitized ATM machines and IVR system

Our Community

- Donated SAR 17 Mn to the Health Fund that the Ministry of Health launched to support the Kingdom's efforts and limit the spread of COVID-19 under the "We are responsible and I am the First one" campaign
- Donated SAR 10.73 Mn to the Society Fund initiative by the Ministry of Human Resources and Social Development for 17,000 meals and 6,000 food baskets to those in need
- Collaborated with the Ministry of Communications and Information Technology to distribute 677 tables to students to facilitate their study from home efforts
- Distributed 7,000 safety boxes containing masks, gloves, and sanitisers to all employees
- Partnered with Saudi Food bank and various charities to distribute 10,000 food boxes to families in need at Ramadan

Our Shareholders

- Conducted virtual calls with investors and analysts
- Shifted to virtual AGM



Financial Results

Riyad Bank achieved SAR 6,025 Mn as net profits for the 12-month period ending on 31 December, 2021, with an increase of 27.8% over the same period of the previous year, which amounted to SAR 4,715 Mn. Considering the current economic changes and challenges, Riyad Bank continued to focus on the main banking activities and maintained its financial position, as net loans and advances increased by 13.6%, reaching SAR 217,290 Mn, compared to SAR 191,347 Mn for the previous year.

On the other hand, investments amounted to SAR 58,637 Mn, compared to SAR 56,450 Mn, with an increase of 3.9% for the previous year. Customer deposits amounted to SAR 211,678 Mn, compared to SAR 203,039 Mn for the previous year, with an increase of 4.3%, while assets amounted to SAR 325,736 Mn, compared to SAR 310,088 Mn for the previous year, with an increase of 5.0%.

Total operating income amounted to SAR 11,568 Mn during the 12 months ending on 31 December, 2021, compared to SAR 11,205 Mn for the same period of the previous year, with an increase of 3.2%.

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 in net special commission income, which amounted to SAR 8,293 Mn during the 12 months ending on 31 December, 2021, compared to SAR 8,214 Mn for the same period of the previous year, with an increase of 1.0%. Earnings per share during the same period amounted to SAR 2.01, compared to SAR 1.57 for the previous year.

The increase in Riyad Bank's net profit for the 12 months ending on 31 December, 2021 is due to an increase in total operating income by 3.2%, and a decrease in total operating expenses by 16.1%. Zakat expenses also decreased compared to the previous year by 10.0%.

The increase in total operating income is mainly due to the increase in net fee and commission income, net special commission income, net gains from investments held for non-trading purposes and dividends. As for the decrease in total operating expenses, it is due to a decrease in the net provision for impairment for credit losses and other financial assets and a decrease in the net provision for impairment in the value of investments, partially offset by the increase in employee salaries and the like, other general and administrative expenses, and rent and premises related expenses.

Material differences in the operating results compared to the results of the previous year

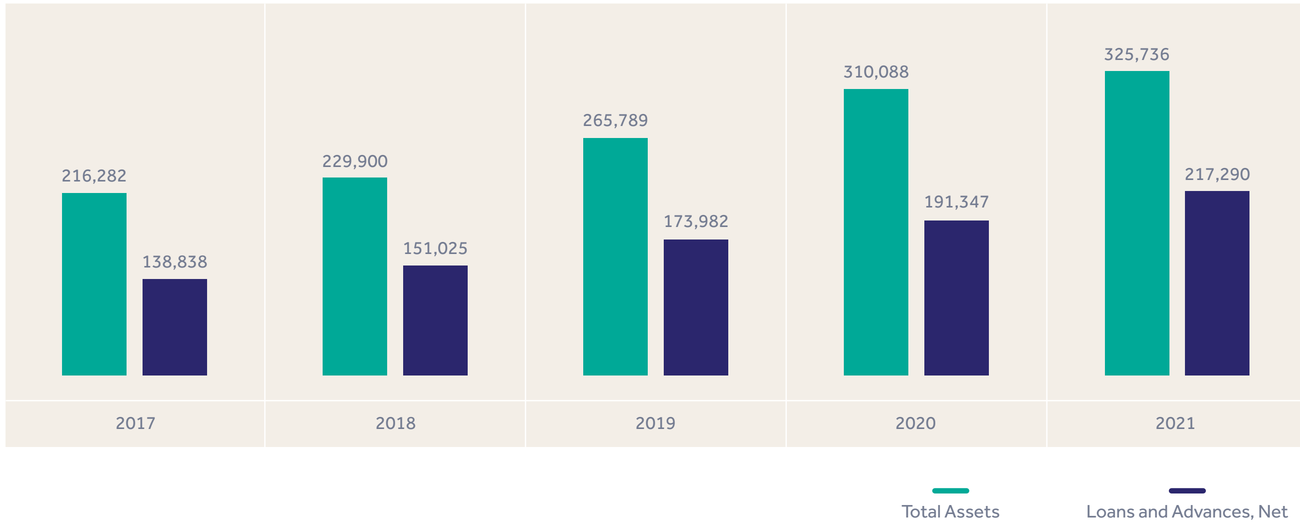
Description (SAR Mn)	2020	2021	Change	Change %
Net income after Zakat	4,715	6,025	1,310	27.8%
Total operating income	11,205	11,568	363	3.2%
Net special commission income	8,214	8,293	80	1.0%
Earnings per share	1.57	2.01	0.44	27.8%
Total assets	310,088	325,736	15,648	5.0%
Net investments	56,450	58,637	2,187	3.9%
Net loans and advances	191,347	217,290	25,944	13.6%
Customer deposits	203,039	211,678	8,639	4.3%

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

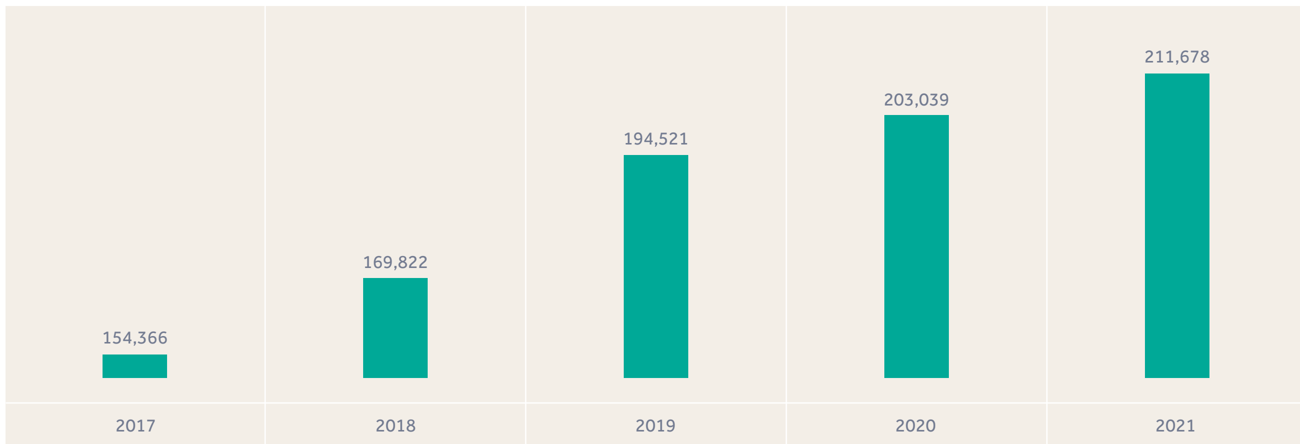
A) The following is an analysis of the most important items of the consolidated statement of financial position:*

Description (SAR Mn)	2017	2018	2019	2020	2021
Assets					
Cash and balances with SAMA, net and Due from banks and other financial institutions, net	27,876	27,352	33,924	55,579	43,232
Loans and Advances, Net	138,838	151,025	173,982	191,347	217,290
Investments, Net	46,370	47,993	53,361	56,450	58,637
Other real estate, property, equipment and right of use of assets, net	1,987	1,927	2,435	2,752	3,020
Other assets	1,211	1,603	2,086	3,961	3,556
Total assets	**216,282**	**229,900**	**265,789**	**310,088**	**325,736**
Liabilities					
Due to banks and other financial institutions	7,056	8,581	13,124	41,789	43,134
Customer Deposits	154,366	169,822	194,521	203,039	211,678
Debt securities in issue	8,017	4,004	4,003	5,684	8,717
Other Liabilities	8,221	10,719	13,572	15,221	14,907
Shareholders' equity	38,623	36,774	40,571	44,355	47,300

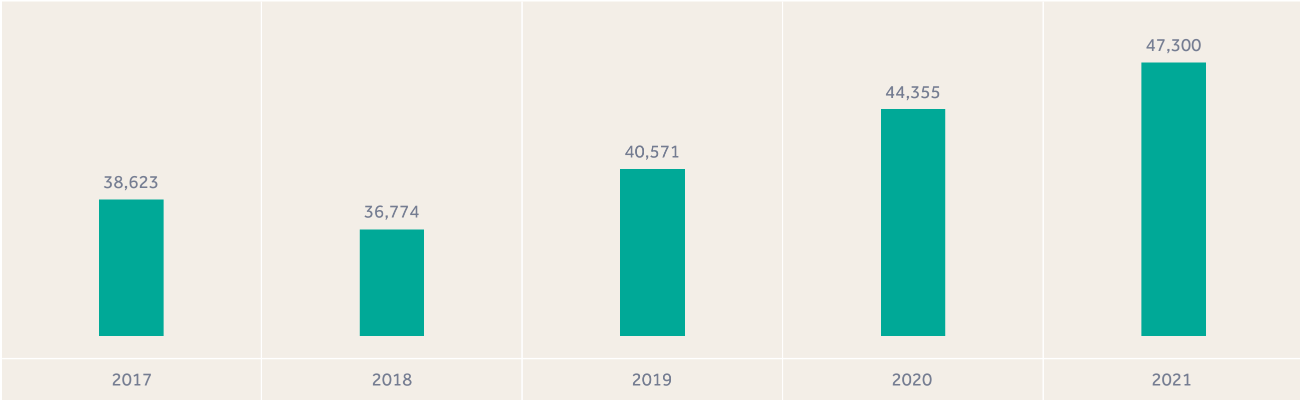
*Certain comparative figures have been reclassified to conform to current period classifications.



Customer Deposits



Shareholders' Equity

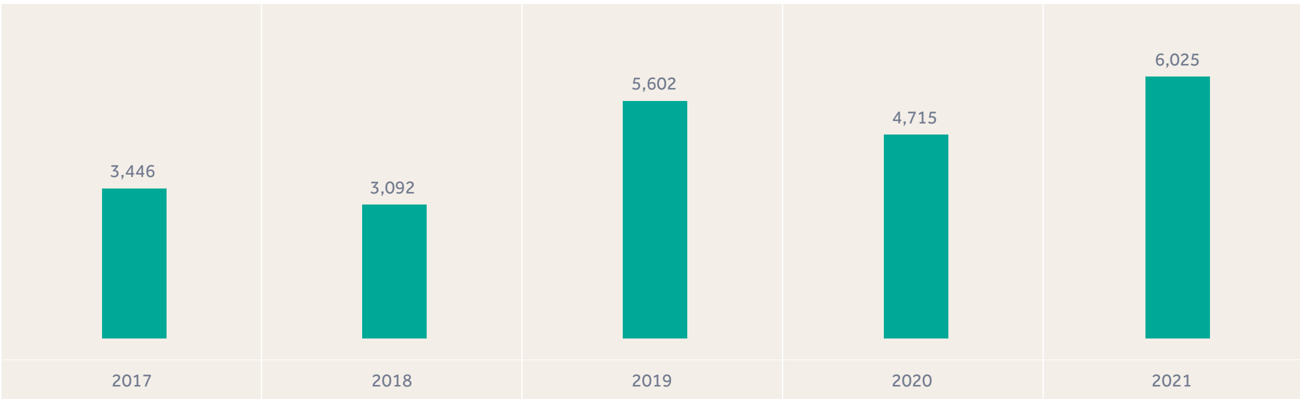


B) The following is an analysis of the most important items of the consolidated income statement*:

Description (SAR Mn)	2017	2018	2019	2020	2021
Total operating income and net share of Riyad Bank in the profits of associates	8,148	9,018	10,870	11,224	11,535
Total operating expenses	4,202	4,302	4,638	5,740	4,817
Net income after Zakat	3,446	3,092	5,602	4,715	6,025
Earnings per share (SAR)	1.15	1.03	1.87	1.57	2.01

* Certain comparative figures have been reclassified to conform to current period classifications.
**Includes the effect of settling zakat claims for previous financial periods.

Net income after Zakat



Geographical analysis of the total revenues of Riyad Bank and its subsidiaries
The total revenues for the period ending on 31 December, 2021 from operations inside the Kingdom amounted to SAR 9,671 Mn, and from outside the Kingdom amounted to SAR 1,896 Mn.

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

	Within the Kingdom of Saudi Arabia			
Year	Western region	Central region*	Eastern region	Total revenue from within the Kingdom (SAR Mn.)
2021	1,803	5,993	1,876	9,671

* The amount specified for the central region includes revenues from central investments related to the investment and treasury sector, amounting to SAR 1,261 Mn and 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:

	Outside the Kingdom of Saudi Arabia					
Year	GCC countries and the Middle East region	Europe	North and Latin America	South East Asia	Other areas	Total revenues from outside the Kingdom
2021	799	314	537	145	102	1,896

Dividends

Riyad Bank abides by the relevant applicable regulations, and follows the following policies when distributing profits to Shareholders:

a) 25% of the net profits shall be deducted to form the statutory reserve.
   The deduction may be stopped whenever the total reserve reaches the amount of the paid-up capital.
b) 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, each according to the number of his shares.

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

	(SAR'000s)
Retained earnings from 2020	4,928,570
Proposed cash dividends to be distributed to shareholders for the second half of 2020	(1,500,000)
Net profit after Zakat for 2021	6,025,379
Sale of equity instruments carried at fair value through other comprehensive income	27,507
Total	**9,481,456**
To be allocated and distributed as follows:	
Cash dividends distributed to Shareholders for the first half of 2021	(1,500,000)
Proposed cash dividends to be distributed to Shareholders for the second half of 2021	(1,620,000)
Transferred to regular reserve	(1,506,345)
Retained earnings for 2021	**4,855,111**

Riyad Bank had distributed profits to Shareholders on 5 July, 2021 for the first half at 50 Halalas per share. As for the rest of the profits proposed to be distributed to Shareholders for the second half of 2021, at 54 Halalas per share, it will be distributed if approved by the General Assembly, bringing the total distributions for the whole year 2021 to SAR 3,120 Mn, at SAR 1.04 per share; equivalent to 10.4% of the nominal value of the share, after deducting Zakat.

Bank's credit rating

Rating Agency	Long-Term	Short-Term	Future Outlook
Fitch	BBB+	F2	Stable
Standard & Poor's	BBB+	A-2	Stable

Finance and debt securities issued

In February 2021, the Bank successfully established a SAR 10 Bn Sukuk program, out of which the issued portion was SAR 3 Bn. The Tier-2 Saudi Riyal Sukuk received an overwhelming support; the total order book was 1.9x oversubscribed by a diverse pool of investors consisting of banks, government agencies, fund managers and others, which illustrated the accuracy of the timing as well as investors' confidence in the Bank.

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

Riyad Bank also confirms the following:

- There are no debt instruments issued by the subsidiaries.
- There are term loans due from subsidiaries with a local bank, amounting to SAR 412 million, as at 31 December, 2021.
- The Bank did not issue or grant any convertible debt instruments or any contractual securities or subscription rights notes or similar rights during 2021.
- The Bank has not issued or granted any conversion or subscription rights under convertible debt instruments, contractual securities, or subscription right memorandums, or any similar rights during 2021.
- The Bank or any of its subsidiaries has not made any refund, purchase or cancellation of any redeemable debt instruments.

Disclosure of treasury shares held by Riyad Bank and the details of their uses

Riyad Bank does not hold any treasury shares.

Accounting Standards followed

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

Statutory payments

There are no final statutory payments due on Riyad Bank for 2021, except for what is mentioned in the statement below:

	SAR'000s	
Description	Paid	Due
Zakat – Tax and Customs Authority ("ZATCA") (regarding the fiscal year 2021)*		692,681
Taxes borne by Riyad Bank on behalf of some non-resident entities (according to the terms of the contract)	14,593	-
Taxes owed on Riyad Bank foreign branches in favor of official authorities outside the Kingdom	9,364	-
GOSI	104,788	-
Visa and passport costs	2,898	-
Any other regular payments**	18,139	-

*Zakat will be paid for 2021, no later than 30 April, 2022.
**Governmental fees.

Riyad Bank is committed to the agreement concluded with the ZATCA on 20 December, 2018 to settle Zakat claims for the previous fiscal years and 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, starting on 1 December, 2019 and ending on 1 December, 2023. The first, second and third installments were paid in 2019, 2020 and 2021, 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, and Riyad Bank is keen to limit the occurrence of any violations and take the necessary corrective actions if they occur.

Penal decisions of the Saudi Central Bank (SAMA):

	Fiscal Year 2020		Fiscal Year 2021	
Subject of Violation	Number of penal decisions	Total amount of fines (SAR)	Number of penal decisions	Total amount of fines (SAR)
Violation of the supervisory instructions of the Central Bank	22	4,604,000	19	6,704,320
Violation of the Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing	2	300,000	6	2,126,000
Violation of the Central Bank's instructions for customer protection	6	1,732,500	8	4,209,250
Violation of the Central Bank's instructions for due diligence	0	0	0	0

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

Authority	Classification of the violation	Number of fines	Total amount of fines (SAR)
Secretariats and other government agencies	Fines for ATM plates and site licenses, and other fines	214	745,400

Transactions with related parties

The following statement shows the balances resulting from related party transactions as on 31 December, 2021, 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:

	SAR'000s
Description	Total
Loans and advances	2,887,319
Customer deposits	41,044,962
Derivatives (at fair value)	4,792
Contingent commitments and commitments (irrevocable)	10,252,322
Special commission income	53,955
Special commission expense	112,325
Fee and commission income, net	381,254
Miscellaneous operating expenses	167,552

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

Nature of the contract	Related Party	Owner	End date of the contract	Annual contract value (SAR)
Rent of the headquarters of the 60th Street branch 286 for exhibitions No. (1, 2, 3, 5) - Riyadh	Member of the Board of Directors; His Excellency Mr. Mohammed Talal Al-Nahhas, Governor and member of the Board of Directors of the GOSI	GOSI	08/09/2026	600,000
Legal liability insurance policy for members of the Board of Directors, members of the External Audit Committee, and Executive Officials of Riyad Bank and Riyad Capital Company	The GOSI owns 36.77%	Tawuniya Insurance Company	31/12/2021	431,276
Medical insurance policy for the employees of Riyad Bank, Riyad Capital Company, Riyadh Insurance Agency and Riyadh Isnaad	The GOSI owns 36.77%	Tawuniya Insurance Company	31/01/2022	69,495,790
Rent of the General Administration Building (Granada Oasis)	GOSI	Granada Investment Center (owned by the GOSI)	14/08/2022	28,244,040
Rent of 20 parking spots in Granada Business for relationship managers in the corporate banking sector	Member of the Board of Directors, His Excellency Mr. Mohammed Talal Al-Nahhas, Governor and member of the Board of Directors of the GOSI	Granada Investment Center (owned by the GOSI)	14/08/2022	199,226
Data supply agreement between the GOSI and Riyad Bank for a useful service to inquire about the number of employees of the establishments.	Member of the Board of Directors, His Excellency Mr. Mohammed Talal Al-Nahhas, Governor and member of the Board of Directors of the GOSI	GOSI	12/02/2022	250,000
Renting Al-Murabba branch; 218 King Abdulaziz Street in Riyadh	Member of the Board of Directors, His Excellency Mr. Mohammed Talal Al-Nahhas, Governor and member of the Board of Directors of the GOSI	GOSI	20/10/2022	400,000
Rent an ATM 2436 STC - Riyadh	Member of the Board of Directors His Excellency Mr. Mohammed Talal Al-Nahhas Governor and member of the Board of Directors of the GOSI	Saudi Telecom Company	31/05/2020	30,000
Platform Service Management Contract (SMS)	Member of the Board of Directors His Excellency Mr. Mohammed Talal Al-Nahhas Governor and member of the Board of Directors of the GOSI	Saudi Telecom Company	31/08/2022	42,000,000
Branches and Buildings Network Connection Services for Data Services -IPVPN	Member of the Board of Directors His Excellency Mr. Mohammed Talal Al-Nahhas Governor and member of the Board of Directors of the GOSI	Saudi Telecom Company	31/12/2020	23,710,892
Renting an ATM at Umm Al Qura Makarim Hotel - Makkah Al Mukarramah	Mr. Mohammed Ibrahim Al-Issa, father of the Bank's Chairman of the Board, Eng. Abdullah Mohammed Al-Issa	Mohammed Ibrahim Al-Issa & Sons Company	20/02/2021	18,000
Protection programs to provide (DWDM) technology	Vice Chairman of the Board of Directors, Eng. Moataz Qusay Al-Azzawi, Member of the Board of Directors of the company	Etihad Etisalat Company - Mobily	31/05/2021	1,098,000
SJN Second Service Provider Connection Service Contract	Vice Chairman of the Board of Directors, Eng. Moataz Qusay Al-Azzawi, Member of the Board of Directors of the company	Etihad Etisalat Company - Mobily	24/07/2022	26,676
Contract for the provision of Connectivity Services for the General Administration Building - Granada	Vice Chairman of the Board of Directors, Eng. Moataz Qusay Al-Azzawi, Member of the Board of Directors of the company	Etihad Etisalat Company - Mobily	17/02/2022	480,000
A contract to provide 300 fast SIM cards (SIM)	Vice Chairman of the Board of Directors, Eng. Moataz Qusay Al-Azzawi, Member of the Board of Directors of the company	Etihad Etisalat Company - Mobily	31/03/2023	489,600
Renting an ATM site at the Marriott Hotel - Riyadh	The Chairman of the Board of Directors, Eng. Abdullah Mohammed Al-Issa, Chairman of the Board of Directors of the company	Dur Hospitality Company	22/11/2025	30,000

Nature of the contract	Related Party	Owner	End date of the contract	Annual contract value (SAR)
Renting an ATM site 1455 Al Dana Mall (1) - Yanbu	Board Member Dr. Abdul Raouf Banaja - Member of the Audit Committee	Kinan International Real Estate Development Company	30/06/2023	70,000
Renting an ATM site 1452 Al Dana Mall (2) - Yanbu	Board Member Dr. Abdul Raouf Banaja - Member of the Audit Committee	Kinan International Real Estate Development Company	30/06/2023	70,000
Renting an ATM site 1876 Al Dana Mall (3) - Yanbu	Board Member Dr. Abdul Raouf Banaja - Member of the Audit Committee	Kinan International Real Estate Development Company	30/06/2023	70,000
Data supply agreement between Masdar Data Solutions and Riyad Bank	A company owned by the GOSI	Masdar Data Solutions Company	10/02/2022	252,000
Renting an ATM site 6108 - Al-Othaim Markets in Riyadh Al-Khobar A - King Abdullah Road	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	18/01/2026	23,000
Renting an ATM site No. 2113, National Guard Gate, Al-Othaim Markets	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	28/02/2021	40,000
Renting an ATM site 2873 - Al Saada District - Al Othaim Markets Company - Riyadh	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	43,000
Renting an ATM site 2871 - Al Hazm District - Al Othaim Markets - Riyadh	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	30,000
ATM 2870 - King Faisal District - Riyadh - Al-Othaim Markets Company	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	33,000
Renting an ATM site 1859 - Aziziyah - Jeddah - Al-Othaim Markets Company	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	33,000
Renting an ATM site 2872 - Al Badiah - Riyadh - Al Othaim Markets Company	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	40,000
Renting an ATM site 1860 - Yanbu - Al-Othaim Markets Company	The GOSI owns 9.13%.	Abdullah Al Othaim Markets Company	20/07/2023	33,000

Disclosure of the micro, small and medium enterprises data

1- Qualitative disclosure

The approved definition of small, medium and micro enterprises:

Micro, small and medium enterprises were classified according to the definitions of the Saudi Central Bank.

Initiatives taken by Riyad Bank to support these facilities, in addition to the number of employees, training initiatives and workshops provided to customers and employees for 2021:

2021	Micro	Small	Medium
Sector they belong to	Personal banking	Corporate Banking	Corporate Banking
Their administration	Branch network	Small and medium-sized companies	Small and medium-sized companies
Number of employees serving the segment	23	94	66
Number of employees who have been given training courses	9	89	66
Number of training days provided to employees	-	212	167
Number of clients who have been given trainings	16,367	1,915	566
Number of workshops offered to clients	11,488	955	471
Number of training days provided to clients	1,211	243	62
Number of centers or branches where the segment provides its services to customers	All branches of Riyad Bank in all regions of the Kingdom serve a micro-segment. Small and medium enterprise centers	27 centers dedicated to serving small businesses around the Kingdom, in addition to all Riyad Bank branches and electronic channels.	27 centers dedicated to serving medium enterprises around the Kingdom, in addition to all branches of Riyad Bank and electronic channels.

Awards obtained by the Bank in the sector of micro, small and medium enterprises during the year 2021:

- For the fourth year in a row, the Minister of Commerce honored Riyad Bank by giving it the "Outstanding Performance Award" for achieving the first place in financing small and medium enterprises in cooperation with the Small and Medium Enterprises Financing Guarantee Program - Kafalah Program, in terms of the number of enterprises benefiting from financing as well as in terms of the value of facilities Credit (finance) provided to the small and medium enterprises sector.
- Best Bank Award for small and medium-sized enterprises financing in the Middle East - Euromoney.
- Best Bank Award for small and medium-sized enterprises financing in the Middle East - Asiamoney.
- Best Bank Award for financing small and medium-sized enterprises in the Kingdom of Saudi Arabia - Asiamoney.
- One of the top 5 lenders in the financing portals in 2021.
- One of the 3 best financing banks for small, medium and micro- sized enterprises operating in the promising sectors (entertainment, tourism, sports, and e-commerce) during the third quarter of 2021.

Initiatives taken by Riyad Bank to support these facilities

1- Product offering and development:
Micro-enterprises:

- Launching Kafala product and guaranteed financing for those affected by the COVID-19 pandemic from the Central Bank of Saudi Arabia in cooperation with the Kafala program with a coverage rate of 95%.
- Development of the financing product against the receipts of points of sale.

Small and medium- sized enterprises:

During the year, all financing products related to the small and medium- sized enterprises sector were developed, and a plan to launch new products in 2022 is underway.

2- Programs and agreements:
Micro- enterprises:

- An agreement with Salla E-commerce to support and help customers of micro, small and medium- sized enterprises to enable them to use technical solutions in sales operations, ending with a complete transformation to e-commerce to sell and deliver their products via the Internet.

Small and medium enterprises:

- Agreement on the "Tatweer" program to enable real estate sector companies and institutions to obtain real estate support and financing.
- Agreement on the "Tourism Partners" program with the aim of financing qualitative tourism facilities and activities around the Kingdom.
- Memorandum of Understanding with the Cultural Development Fund to develop initiatives to support the development of business potentials in the cultural sector.
- A major partner and financier in green environment and renewable energy initiatives and projects in the Kingdom.
- A cooperation agreement with the National Industrial Development and Logistics Program "Ndaleb" to work on developing investment financing capabilities for the program's strategic axes.
- Technology Growth Financing Initiative, in partnership with the National Information Technology Development Program and the Small and Medium Enterprises Financing Guarantee Program - Kafalah, which allows enterprises in this sector to obtain financing for business development.
- Joining the "Jadeer" service provided by the General Authority for Small and Medium Enterprises - facilities to link enterprises with purchasing opportunities in the public and private sectors.
- Extending the period of the "Payment Deferment" and "Secured Financing" programs to support the small and medium enterprises sector.
- A joint cooperation agreement with 14 chambers of commerce around the Kingdom with the aim of supporting small and medium enterprises in these areas in terms of awareness and knowledge development in financing options for small and medium enterprises, as well as providing financing to small and medium enterprises nominated by the Chambers.

3- Sponsorships and participation in exhibitions
Micro, small and medium- sized enterprises:

- Sponsorship of the Endeavor Saudi Council and a project to study the map of technical companies' relations and its impact on the entrepreneurship system.
- Sponsorship of the Entrepreneurship Program (Unifonic X).
- Sponsorship of the incubator of the Asharqia Chamber of Entrepreneurship.
- Participation in the Day of Small and Micro Enterprises held in the Medina Chamber.
- Participation in the interactive market for the commercial franchise center - Monshaat.

4- Participation in seminars and conferences:
Micro, small and medium- sized enterprises:

- A number of awareness seminars in cooperation with the General Authority for Small and Medium Enterprises and in cooperation with the Chamber of Commerce and Industry, "The Stage" and the "Asharqia Chamber Business Youth Council".
- Aseer Forum for Entrepreneurship and Artificial Intelligence 2021.

2- Quantitative disclosure

	SAR'000s			
2021	Micro	Small	Medium	Total
Financing for small and medium enterprises – on-balance sheet items	2,523,041	8,372,987	18,532,064	29,428,092
Financing for Small and Medium Enterprises - off-balance sheet items (Nominal Value)	1,426,709	2,873,814	8,357,849	12,658,372
On-balance sheet Financing to small and medium-sized enterprises as a percentage of total on-balance sheet Financing	1.1%	3.8%	8.4%	13.3%
Off-balance sheet Financing to small and medium-sized enterprises as a percentage of total off-balance sheet Financing	1.4%	2.7%	8.0%	12.0%
Number of Financing (on and off balance sheet)	3,281	12,805	13,869	29,955
Number of loan clients (on and off- balance sheet)	2,116	3,414	1,420	6,950
Number of secured Financing from the "Kafala" program (on and off- balance sheet)	819	6,941	3,420	11,180
Total secured Financing from the "Kafala" program (on and off- balance sheet)	**207,460**	**2,800,847**	**4,040,889**	**7,049,196**

	SAR'000s			
2020	Micro	Small	Medium	Total
Financing for small and medium enterprises – on-balance sheet items	1,633,439	6,509,912	17,443,342	25,586,693
Financing for Small and Medium Enterprises - off-balance sheet items (Nominal Value)	912,900	3,355,352	8,480,346	12,748,597
On-balance sheet Financing to small and medium-sized enterprises as a percentage of total on-balance sheet Financing	0.8%	3.3%	8.9%	13.1%
Off-balance sheet Financing to small and medium-sized enterprises as a percentage of total off-balance sheet Financing	1.1%	3.9%	9.8%	14.7%
Number of Financing (on and off balance sheet)	4,109	13,518	15,390	33,017
Number of loan clients (on and off- balance sheet)	2,884	3,082	1,151	7,117
Number of secured Financing from the "Kafala" program (on and off- balance sheet)	151	6,895	3,151	10,197
Total secured Financing from the "Kafala" program (on and off- balance sheet)	**33,806**	**2,418,472**	**3,412,385**	**5,864,663**

Operating Review

Accelerating business performance

Retail Banking

Retail Banking has been central to the Bank's success in 2021, anticipating and reacting to the revolutionary new directions and demands that COVID-19 made essential. The pandemic acted as a catalyst to drive our already ambitious commitment to digitization even further and even faster. The result has been an enormous stride forward in the quality and sophistication of the products and services we offer, which has benefitted our customers at every step of the retail value chain.

Throughout 2021, Retail Banking proved itself to be one of the most dynamic and agile business divisions, adapting and innovating in an environment restricted by movement and traditional banking practices. Our distinctive products and service, backed by flexible technological infrastructure and the advances we made in delivering the highest level of services, exceeded the standards our customers have come to expect. Our results for the year on all levels – from financial performance to customer satisfaction and digitization – have helped Retail Banking to create value for the Bank, our customers and all our stakeholders.

> The pandemic accelerated our digital journey and the highly impressive financial results have set us on a trajectory for further positive growth as a consequence.

Financial growth on solid foundations

Despite a challenging operating environment, we were not only able to mitigate the effects of COVID-19 but also delivered double digit growth in net income, assets and liabilities. Despite significant growth in lending, credit quality hasn't been compromised and our success was loud and clear. For the retail business at Riyad Bank, the pandemic accelerated our digital journey and the highly impressive financial results have set us on a trajectory for further positive growth as a consequence.

We also remained committed to increasing our sales productivity across all channels, both traditional and alternative, to ensure growth in liability and asset market share.

2021 Financial Highlights

Net Income

SAR 1.2 Bn

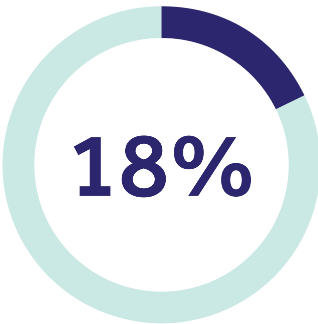
Total Deposits

SAR 91 Bn

Increase Consumer Lending

19%

Contribution to the Bank's total net income in 2021



Better banking through technology

We accelerated our digital transformation to better meet the requirements and expectations of our diverse customer segments this year. Our investment in digitization was driven by customer insights, which provided a strong knowledge foundation to update our products and services to better meet their requirements.

We broadened our portfolio to make digital banking more accessible and inclusive, offering our customers more choice and touchpoints to access our services and products. The results were remarkable. We saw a strong uptake of digital services from our customer base, now using online banking, and attracted new Retail Banking customers.

2021 Retail Banking Digital Milestones

Increase customer base

+6%

New customer acquisition

+8%

Digital penetration

+900 bps

Sales productivity

+16%

Riyad Bank Private Banking

Best Private Bank in MENA Award

- EMEA Finance
- Second consecutive year

New customers acquired through digital channels

2021 Successes and achievements

Besides a strong push towards digitization, Riyad Bank's retail business focussed on a holistic approach to its services and the customers who use them. We remained committed to increase our sales productivity across all channels, both traditional and alternative to ensure growth in liability and asset market share.

The introduction of a vast range of new products has been instrumental in our success across the board. For example, we introduced new mortgage products and new family products, including the Kingdom's first mobile banking platform for children, which enables them to enhance their financial literacy and build a habit of saving. In addition, to make life even more convenient for our customers, we opened a new iconic private banking center in Riyadh and deployed 80 self-service kiosks.

Driving home ownership

Our attention to home ownership was high on the agenda this year, as we redefined our mortgage proposition and launched new products. A clear mortgage strategy was implemented, and new off-plan variants, self-construction and refinancing products were introduced to disrupt the market, which led to a significant increase in market share, from 12% at the beginning of 2021 to 23% by the end of the year.

Our ongoing mortgage media exposure resulted in numerous real estate developers approaching Riyad Bank to sign exclusive deals and agreements to further support our clients' and the Bank's profitability.

With regards to turnaround time, mortgage loans improved by 55% on Riyad Bank products and there was a 21% improvement for Real Estate Development Fund products. With improved practices and procedures, the mortgage error rate fell by more than 23% and for personal loans, the turnaround time was reduced by 29%.

2021 New mortgage solutions

- ML self-construction product
- Mortgage buyout (REDF and non-REDF)
- Mortgage off-plan product revamp with Tawarruq variant
- Mortgage Land and Loan
- Mortgage loan refinance (REDF and non-REDF)

Exceptional customer care and experience

Dedicated to providing a superior customer experience across both physical and digital channels, Retail Banking has made great strides during this year.

In our 2021 Net Promoter Score ratings – a gauge of customer satisfaction and their likelihood to recommend the Bank to others – Retail Banking performed superbly, with significant improvements across all channels.

Service at the branches was rated Excellent, as were Riyad Online and Riyad Mobile, increasing their scores year-on-year by 14% and 26% respectively. The call centers NPS score rose by 457% compared to 2020, with 94% of calls answered within a remarkable 7 seconds.

For those connecting on social media to seek help and keep up with the latest updates on digital banking, the results were equally impressive. The Twitter response time for customer queries and issues dropped 99% since May 2020 to reach only 13 minutes on average.

To achieve such a rapid transformation in terms of time, quantity and quality of service demonstrates the exemplary focus and commitment of all our customer-facing Staff and the great progress we have made in digitizing and automating customer care.

+14%

Growth of "Client Recommendation Ratio" NPS Score for Riyad Online channel

+457%

Growth of Call Center NPS Score

+26%

Growth of "Client Recommendation Ratio" NPS Score for Riyad Mobile channel

Overall, Riyad Bank achieved outstanding NPS scores across all channels, and our years of hard work and focus in this regard were rewarded by 2 high-profile awards received from The Mohammed Bin Rashed Award in 2021:

Mohammed Bin Rashid Al Maktoum Customer Excellence Award, provided by Mohammed Bin Rashid Al Maktoum Business Award

Mohammed Bin Rashid Al Maktoum Best Service Performance Award, provided by Mohammed Bin Rashid Al Maktoum Business Award

Contributing to the goals of Saudi Vision 2030

Retail Banking strategic pillars and initiatives have been crafted carefully and align with several key pillars of Vision 2030, including the low-cash and cashless society which is expected to remain as a permanent culture. We have been instrumental in promoting the drive towards a digitized community and will continue to forge ahead with that goal in line with the government's targets.

In terms of the Vision 2030 objective of increasing household savings rates, a greater sense of financial awareness has led to customer demand for the most suitable services catered to their own specific needs. In response, we offered Edikhar and Wazen Islamic saving products and are working towards introducing several others, including new saving plans and advance profit accounts.

We are also working to launch the Bancassurance business line to promote financial literacy and facilitate long-term savings. This would offer diversified financial planning and protection products including travel, motor, personal accidental coverage and insurance linked to investment plans and products catering to businesses. In line with this and to encourage the next generation of spenders and savers to learn about the value of finances, Retail Banking launched the Kingdom's first standalone children's mobile application, 'Token Junior Banking'.

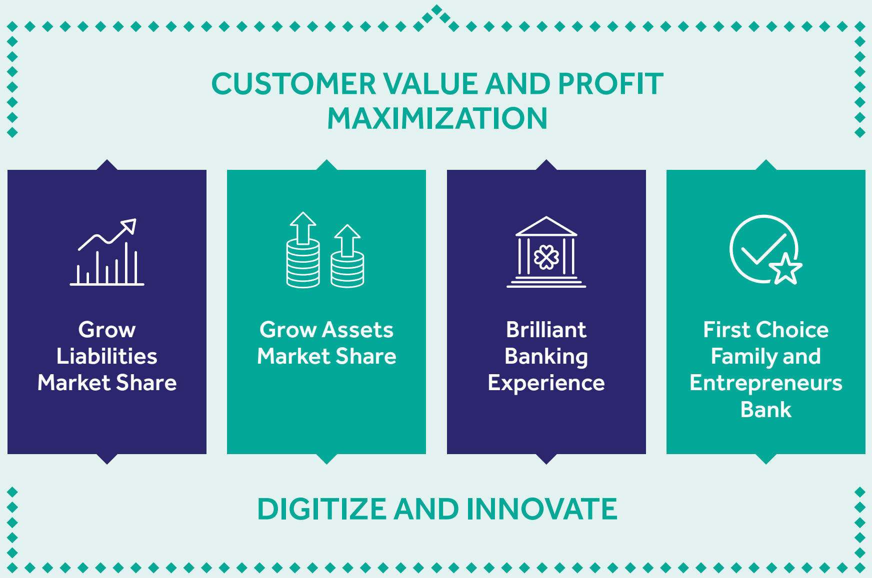
Retail Banking is one of the key financial institutions partnering the Real Estate Development Fund since its inception and has been playing a pivotal role in increasing home ownership among Saudi nationals as part of the 2030 Vision. During 2021, we signed agreements with several developers through the WAFI platform to be the first bank in the Kingdom to offer non-REDF off-plan products and an MoU with developer Roshan to finance financing units for customers under Roshan projects.

Looking forward

The retail business landscape is expected to remain highly competitive, specifically on the digitization front with the entrance of new players and fintechs. However, considering our history of innovation and ability to anticipate demands, it remains highly promising for Riyad Bank.

Retail Banking has refreshed its strategy based on the prevailing market dynamics, with flexible technological infrastructure being the key enabler of accomplishing retail strategy. We will continue to accelerate our digital transformation to become more efficient, responsive and productive, while continuing to enhance our products, services and customer experience.

We aim to provide a brilliant banking experience that grows our market share and attracts new customers, in order to continue to maximize value creation for our customers. Our fundamental focus for 2022 is to be accessible to our customers, as inventive as our outlook and as progressive as our ambition.



Corporate Banking

Corporate Banking continued to build on last year's strong results, demonstrating extraordinary resilience in overcoming the disruptions and challenges brought on by the COVID-19 pandemic. Our investments in new technology have played a pivotal role in achieving net income growth and delivering enhanced services and a superior experience for our valued customers during 2021.

This year, Corporate Banking continued its drive towards innovation and digital banking, which are now fundamental to our growth and provision of expanded products. It is our ability to adapt to the crisis and adopt the most innovative practices which has helped us to not only navigate the pandemic but also explore and exploit new avenues of investment and funding. The expansion of our portfolio and pioneering financing into new territories has made 2021 an exceptional year for Riyad Bank's Corporate Banking and its customers.

Delivering on our strategy

Our overriding strategy for 2021 was to support our existing customers, attract new clients and expand our portfolio with a focus on digital platforms, SMEs, green energy and project financing with government entities. This perfectly aligns with Phase 2 of Transformation 2025, where value through innovation, enablement through the next gen operating model and efficiency through digitization are key pillars.

In addition to this, we strengthened our position in new markets, implemented an organizational transformation and created a portfolio segmentation to streamline functions, improve efficiency and focus on optimizing existing relationships.

Investment in our own people was also central to the 2021 strategy, focusing on the Bank's values through regular training, engagement activities and emphasis on employee wellbeing, expanding its culture program; People, Culture, Values. Communication within our teams and with our customers has been enhanced and is improved daily.

Robust financial performance

In terms of loan volumes, cross-sell, fees and net revenue, Riyad Bank, currently the third largest bank in Saudi Arabia, was fully successful in achieving its 2021 targets. Having accomplished those goals, the Bank has produced outstanding financial results, as well as laying the foundations for even more solid performances over the coming years.

2021 Financial Highlights

Total Assets

SAR 144 Bn

Net Income Growth

71%

Net Loans Growth

SAR 12 Bn

Total Deposits Growth

SAR 3.2 Bn

2021 Highlights and achievements

Our performance throughout the year has been both structured and solid, helping to boost the recovering national economy. Corporate Finance, which manages project finance and syndicated facilities, experienced a quantum lift in business from 2020 and our dedicated government segment submitted 22 proposals and initiatives related to Vision 2030 to various entities during the year.

In addition, the Bank successfully closed several substantial syndicated facilities, won 'Best SME Bank' from KAFALAH for the fourth consecutive year, and was recognized as 'Best SMEs Bank in Middle East' for the second consecutive year by Euromoney and 'Best SME Bank in Middle East' for the second consecutive year by Asiamoney.

Reinforcing our strategic focus on green investments, we successfully closed several major syndicated facilities for solar projects and energy players and supported the green-funded Giga-projects with syndicated facilities as well as new manufacturing entities.

Furthermore, the Bank signed 12 agreements, launched 9 programs and initiatives related to Vision 2030, and closed 3 large advisory mandates for Lubreef, Yasref, and Chemanol.

With regards to institutional fund lending, we signed 5 major loans and successfully completed a financial advisory mandate for another major energy player.

During 2021, we continued to support Saudi Vision 2030 through a range of strategic initiatives, while delivering value for our clients through a variety of successful transactions.

Contribution to the Bank's total net income in 2021

Supporting our SMEs

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

Corporate Banking supported the Technology Development Financing program in their latest initiative to finance technology start-ups and SMEs. Moreover, Riyad Bank signed a Collaboration Agreement with the Culture Development Fund to create programs for business enablers in all segments including micro, small and medium-sized enterprises.

In combining 2 of our most important strategic goals during 2021, Riyad Bank expanded its operations for smaller businesses by adding 29 dedicated SME centers across the Kingdom, while building an end-to-end digital platform to fully digitize the lending process for small and medium-sized enterprises.

Accelerating digitization

Investment in technology, innovation and digitization continues to be a core element of our operations, identifying areas which can be streamlined, made more cost effective and time efficient. As we build on and improve our existing digital products and services, our Global Transaction Banking business signed an MOU with Channels by STC for providing collection, payment services and SoftPoS, and signed and executed Dividend Distribution Agreements with 2 major telecommunication companies.

We integrated with Etmam Platform in a partnership with the Developers Services Center, one of the Kingdom's most important national real estate initiatives, to specifically serve real estate developers through digital and technical content.

Riyad Bank also launched a Green Banking initiative to examine and monitor its participation towards ESG compliance. Initially, the Bank launched its involvement in Renewable and Water Treatment sectors with total projects in the SAR Bn.

Helping to achieve the goals of Vision 2030

As ever, we continue to work with government entities and departments though investment, partnerships and strategic projects. Our dedicated government segment submitted 22 proposals and initiatives related to Vision 2030 to various departments during the year.

In 2021, we established a Business Initiatives and Enablers Development Center (BIED), the first of its kind in the Kingdom, which provides financial consultations and helps design creative initiatives and financial programs. In the wholesale arena our BIED Center, 23 proposals and initiatives related to Vision 2030 were submitted to 20 government entities, 12 Execution and Collaboration Agreements were signed and 7 programs launched and went live.

We worked closely with the Ministry of Finance (MoF) in its initiative to support the sustainability and completion of projects, providing project-financing support in sectors ranging from healthcare and education to retail and large real estate development.

Riyad Bank enhanced the Bank's workforce capacity and capabilities to better serve SMEs by:

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

We were the lead bank in several PPP privatization initiatives in the power, water and wastewater arena and the lead bank in supporting Aramco on all its PPP initiatives such as Tanajib and Jazan IGCC.

We also support many of the largest tourism initiatives, including the Red Sea Project and recently with the Tourism Development Fund (TDF) launched the Tourism Partners Program, allocating funding capital to enable the development of the Kingdom's key destinations.

The program is a first of its kind where the public and private sector work collaboratively against individual performance indicators on each side, ensuring the highest standards of governance to achieve the objectives of the program.

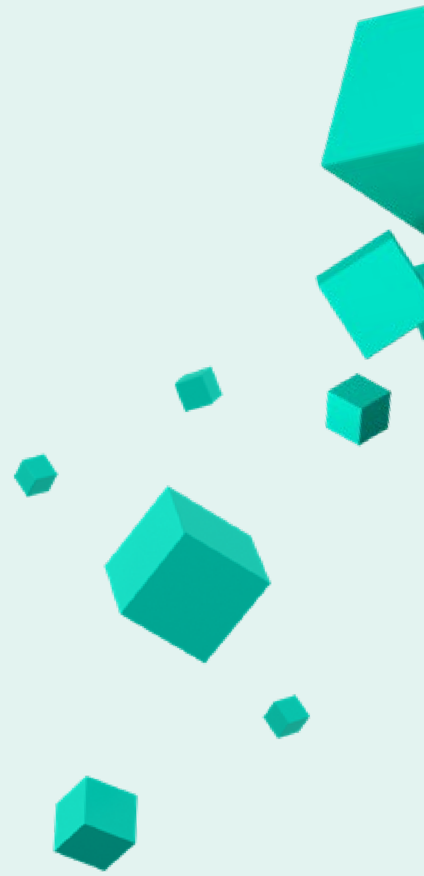
With regards to our operations overseas in London, Houston, Singapore and soon in china we continue to support clients on key Saudi projects relating to the Saudi Vision 2030.

Looking forward

Riyad Bank has executed its strategic transformation exceptionally well, making it one of the fastest growing banks in the KSA for the past 3 years. There will be a range of challenges and developments in 2022, many of them may be ongoing but there will also be some new obstacles. The recently adopted CBD organization structure will develop new talent models to facilitate flexible, self-organizing teams that come together for a common purpose.

Discussions are currently underway to increase investment in climate related initiatives. Saudi regulators around the world are focused on the systemic impact of climate risk on financial markets and stability.

The Corporate Finance Department expects a healthy pipeline for 2022 primarily based on mega projects and PPP privatization financings, including large refinancing for KSA Corporates. Our BIED Center is working on new banking initiative models related to Saudi Vision 2030, such as Green and Renewable Banking.



Treasury and Investments

It was an exceptionally strong year for Treasury and Investments, which exceeded its financial targets for 2021. It was a year in which our successful tactical adjustment of our investment portfolio turned the pandemic-induced crisis into an opportunity. The speed, agility and effectiveness of implementing our strategies in the immediate aftermath of COVID-19 was exemplary and stood us in good stead for a remarkably successful 12 months, regardless of the financial environment.

Treasury and Investments' commitment to innovation and digitization provided an ideal platform for us to offer a far more competitive service than our competitors in 2021. The pandemic acted as an accelerator for our technology policies as the demand for alternative services and practices increased, enabling us to adjust and confront the challenges of COVID-19. In a time of hardship for many businesses, we not only supported their survival and growth but we also recorded new milestones of our own.

Tailor-made strategies

Our key priorities for 2021 were to escalate our technology resources in order to provide enhanced services, diversify our products and reinforce our customer-centric philosophy through innovation and communication. By liaising with our international partners, we developed digital solutions which were a perfect fit. We were also amongst the first in the market to launch innovative re-profiling strategies – highly praised by local and international Independent Financial Advisors – to create tailor-made options, including our dedicated Private Banking Sales Unit.

Consistent with the business growth in our private banking and retail clients, we also focussed on catering to individual needs such as ultra-high-net-worth clients.

In terms of internal strategies for 2021, we built on our existing relationships with the Staff and upskilled those who were in the front line of the new digital launches we made across the year, also offering the branches' Relationship Managers further incentives in a bid to improve cross-selling of foreign exchange and structured deposits.

Performing in the face of adversity

Despite a year where many banks and financial institutions were still struggling to return to their pre-pandemic levels, 2021 was an unqualified success for Treasury and Investments, having achieved record operating income. We prudently managed the investment portfolio to enhance a total return from it, and successfully established a SAR 10 Bn Sukuk program, out of which the issued portion was SAR 3 Bn. Also, our early adoption of digital communication with our corporate customers gave the Bank a clear edge, allowing us to increase our FX volume and market share.

2021 Financial Highlights

Net operating income

SAR 2.4 Bn

Contribution to the Bank's total net income in 2021

Gross operating income 2021

SAR 2,536 Mn

5%↗

2021 Achievements and awards

The strength of our performance in 2021 was led by the performance of our investment book, which resulted in remarkable fund-based income, duly supported by Money Market activities. The Bank's Investment income recorded a substantial growth during the year, mainly as a result of judicious and timely adjustments done to the investment portfolio. T&I's strategy to opportunistically invest in high quality assets at healthy yields has paid off in 2021. Moreover, there was an improvement in fee income stemming from OTC derivative product lines.

That focus on technology was pivotal in many of our success stories of the year. We introduced a state-of-the-art e-trading platform which enabled the Bank's corporate clients to cover their FX Spot requirements with live FX prices and at more competitive rates, making the whole process more efficient and improving the overall customer experience.

We also worked with some of our global partners using the latest cutting edge techniques to cater for their commodity needs and add value to their business. This included some first-of-their-kind Hedging Solutions on Precious Metals along with expanding our commodity leasing offering to include more underlying assets and classes.

In addition, Tier-2 Saudi Riyal Sukuk received an overwhelming support; the total order book was 1.9x oversubscribed by a diverse pool of investors consisting of banks, government agencies, fund managers and others, which illustrated the accuracy of the timing as well as investors' confidence in the Bank. In recognition of the Bank's strategy under the EMTN program, GFC Media Group awarded us the 'Bonds, Loans and Sukuk Middle East Award for Financial Institutions Deal of the Year', out of more than 300 submissions.

Robust foundations for the future

While uncertainty surrounding the pandemic has subsided to some extent, there will be volatility for an extended period. However, T&I is on a solid footing to perform well in 2022 and beyond, with expected growth across all business segments.

We made tremendous progress in 2021 through a passionate effort to drive technology and a determination to serve our customers with the level of service they have come to expect. To refine our own operations even further next year, the T&I system consolidation project will create more efficient processes and controls to enhance product handling capabilities.

With the implementation of the Treasury FX Sales Five Year Plan, relying primarily on people and services, we will increase our income by 2025. By the same token, we will also broaden our client base by acquiring new clients through the FX and hedging solutions.

We launched a comprehensive IBOR transition project to ensure a smooth transition to the new reference rates. As part of a project initiative, we will endeavour to raise awareness amongst our corporate clients about the discontinuation of LIBOR and ensure that the transition process of IBOR is completed with as much understanding as possible to carry out its implementation.

Ultimately, we are confident that Treasury and Investments will continue to perform to an excellent standard in the years to come. Having risen to the challenges of COVID-19 with such insight and integrity, the Bank's investment portfolio has a healthy yield, and is well diversified with quality names, it provides us a robust platform to reap healthy returns going forward. In addition, our digital advances, technological vision and innovative outlook make us a true leader in our field.

Subsidiaries

Division	Capital (SAR)	Total Shares	Ownership %	Main Activity	Base Country	Activity Country
Riyad Capital	500,000,000	50,000,000	100%	Carry out trading activities as principal and agent, undertake coverage, establish and manage investment funds and portfolios, in addition to arranging and providing consulting, stock keeping services, portfolio management and trading.	Saudi Arabia	Saudi Arabia
Ithra Al Riyad Real Estate	10,000,000	1,000,000	100%	Keep and manage assets provided by customers as collateral, and a guarantee, and the sale and purchase of real estate for financing purposes.	Saudi Arabia	Saudi Arabia
Riyad Company for Insurance Agency	500,000	50,000	100%	An insurance agent for selling insurance products, including their own and those managed by other main insurance companies.	Saudi Arabia	Saudi Arabia
Curzon Street Properties Limited	10,248	2,000	100%	Property ownership.	Isle of Man	UK
Riyad Financial Markets Limited	187,500	50,000	100%	Perform financial derivative transactions and repurchase agreements with international parties on behalf of Riyad Bank.	Cayman Islands	UK
Esnad Al-Riyad Company for Human Resources	500,000	1 cash share	100%	Provide operational human resources services exclusively for Riyad Bank and its subsidiaries.	Saudi Arabia	Saudi Arabia

الرياض المالية
riyad capital

Riyad Capital

Riyad Capital delivered another year of strong performance across various areas of the business in 2021. The Corporate Investment Banking division continued its positive momentum following the listing of Dr. Sulaiman Al-Habib Medical Group in 2020, through the appointment as Lead Manager and the successful IPO this year of ACWA Power, with total bids surpassing SAR 1 Tn.

In its Real Estate division, Riyad Capital exited Riyad International Real Estate I through the sale of Sequoia Plaza, a 3-building office complex in Arlington, Virginia, USA. Generating an IRR of 22.5%, the sale marks Riyad Capital's first exit from its international real estate platform.

Riyad Capital also launched an exclusive partnership with BNP Paribas Securities Services to provide global custody, fund services and consolidated data management services in the Kingdom of Saudi Arabia under a unique joint servicing model. The offering has and will continue to enhance Riyad Capital's and Riyad Bank's product suite and drive their capabilities as the leading local providers of securities services in the Kingdom, supporting the Financial Sector Development Program of the Kingdom's Vision 2030.

GIFA
GLOBAL ISLAMIC FINANCE AWARDS

Riyad Capital's Riyad Saudi Equity Sharia Fund was awarded 'Best Islamic Equity Fund 2021' by the Global Islamic Finance Awards (GIFA)

إثراء الرياض العقارية
ithra al riyad real estate

Ithraa Riyadh Real Estate Company

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

Curzon Street Properties Limited

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

Riyad Financial Markets Limited

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

الرياض لوكالة التأمين
riyad insurance agency

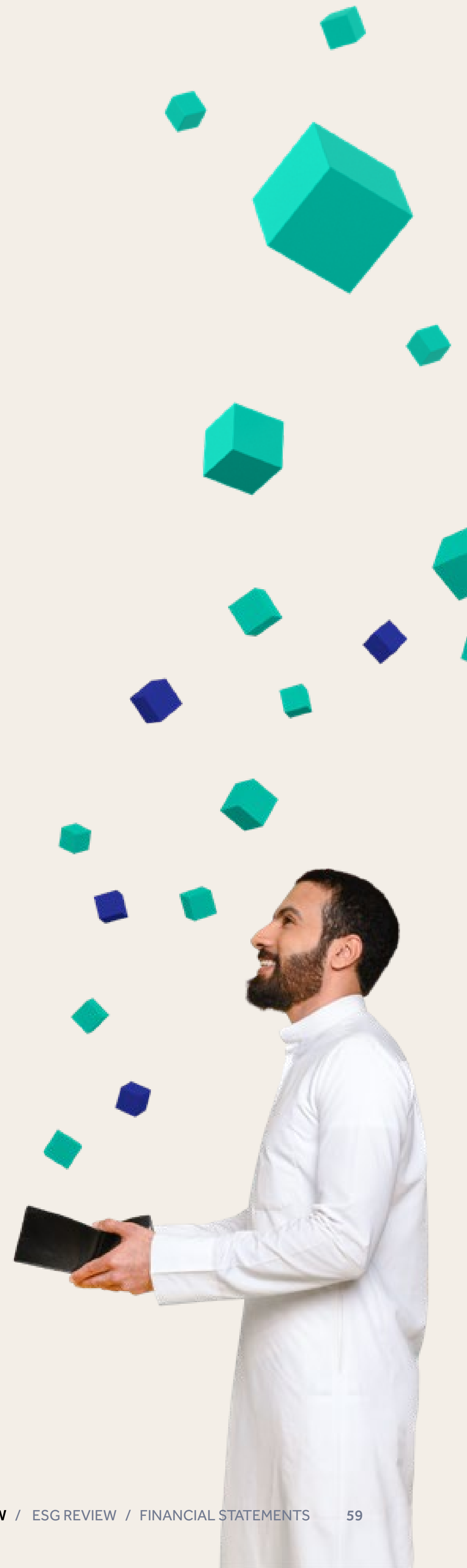
Riyad Company for Insurance Agency

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

إسناد الرياض
riyad esnad

Riyadh Esnad Company for Human Resources

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



Digital Transformation

The most universal themes for Riyad Bank's successes in 2021 were innovation and digitization. While COVID-19 accelerated development and required redirection in many cases, the expansion of our investment in technology and digital models was already well and truly established. The rapid advances covered every aspect of the Bank's operations and helped to realize the great potential of our employees and customers. Last year will be seen as one of the defining moments in the way we further grow our network and leverage greater value to our clients.

During 2021, the Bank instigated major structural changes across various divisions with the result that digital became the primary means of conducting business. The vast majority of customer transactions and services are now end-to-end online, a remarkable transformation which has effectively changed the face of traditional banking stretching back hundreds of years.

This was all possible due to the continuous efforts within the Bank to integrate important services, providing best-in-class convenience to our current as well as new-to-bank clients and allow them to take control of their finances digitally.

Focused on achieving our digital priorities

Our principal targets for 2021 were to expand our services, introduce new methods of delivering our technology, forge new partnerships and ensure that our customers were deriving the most useful, comprehensive and effective digital products. To achieve this, we needed to both harness the necessary expertise and support the employees who would be involved in the resulting operations.

This was an enormous task in terms of planning and action. The technology needed to span all elements of the business departments such as retail and corporate, as well as 'oil the engine' that drove the innovation covered a vast range. From design and delivery to IT support and cyber security, the change of management in the Bank's digital strategy was all encompassing.

The appointments of our Chief Digital Officer Mr. Mazen Pharaon and Chief Transformation Officer Ms. Hanadi Al Alsheikh, have been instrumental in overseeing the digital portfolio and managing project delivery. Their contributions to our achievements have helped pave the way to gain even greater innovation for our efficiency and agility.

Restructuring our digital strategies helped to create a far more comprehensive inter-departmental dialogue. Collaborating with other business units was vital to enhance preparations and align stakeholder commitments, which in turn opened the door to greater innovation and essential internal partnerships in line with digital strategy 2025.

Having established our strategies, the Bank needed to ensure their continued success through a series of digital innovation or transformational initiatives. The shift towards innovative digital models is not a one-time occurrence or even a series of milestones, it is continuous and with time will always find ways of improvement and enhancements, whether that is on a system, personnel, or process level.

Innovative solutions for our stakeholders

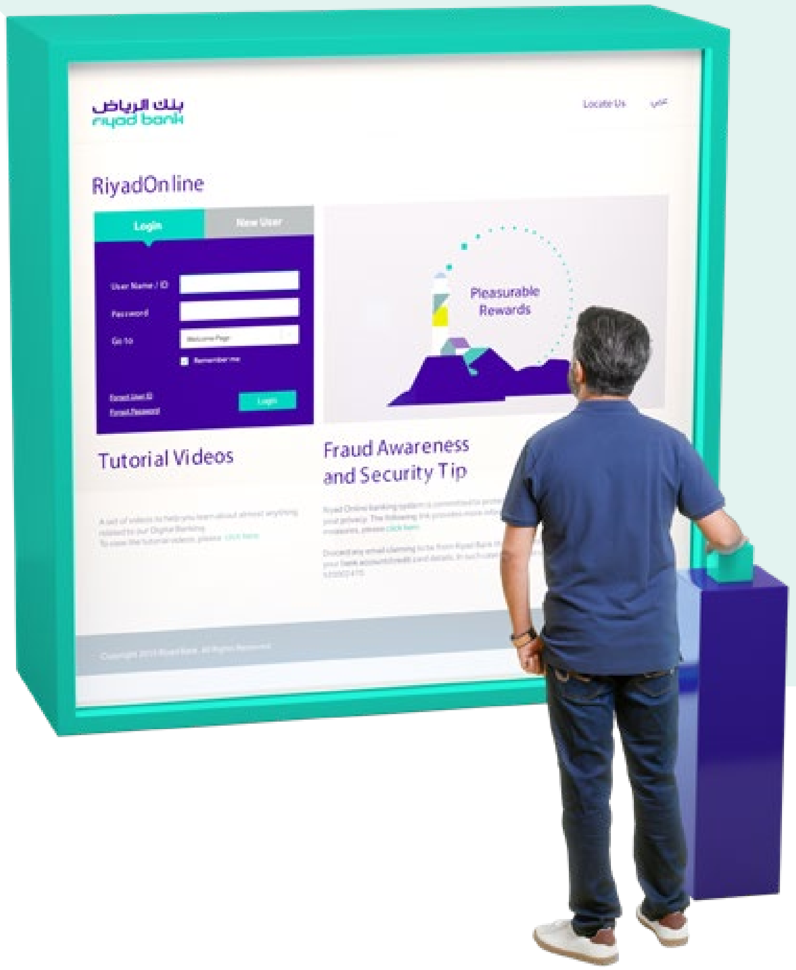
Riyad Bank is known as one of the most innovative banks in the Kingdom and we emphasized that throughout 2021. We provided solutions within the Bank that not only benefitted the clients but also our employees and overall development. We helped to improve revenue, expand services and – perhaps most importantly for future years – rethink and restructure our own technology strategy and operations.

In building the framework in a collaborative model for engaging all stakeholders, we created an internal innovation strategy within all relevant departments for the first time at the Bank. This was achieved by focusing on the business lines' areas of interest and finding suitable cases that could allow us to increase the engagement of a domain and increase cash flow to the Bank.

Conversely, in our external market innovation, we communicated with the ecosystem around us, including fintechs as well as other financial and non-financial organizations. We provided certain services to them while also seeking to work together to release new products or services to the market through a revenue sharing model.

Our Transformation Roadmap:

1. Manage and deliver all data reporting
2. Govern digital projects in other units
3. Ensure strategic alignment between business units
4. Manage critical growth in resources and talent pool
5. Manage fintechs collaboration



Personal Banking in 2021

Clients acquired through digital channels

73%

Transactions executed digitally

89%

Investing in innovation

On a more specific level, we introduced the WSL as the first of its kind in the region. It is a platform and a program designed especially for entrepreneurs and innovators to help create innovative financial solutions and services. It will continue to play a pioneering role in accelerating innovation in the banking sector, developing program objectives in accordance with Saudi Vision 2030. Fintechs integrating with WSL are uniquely powered to develop programs and applications leveraging an environment that simulates data and banking technology in order to build innovative commercial models in a forward-thinking approach to banking development in the Kingdom.

In the same line of transformation, Digital Banking completed its project to 'Revamp and Scale up Riyad Bank Advance Analytics and Artificial Intelligence Platform and Framework'. This will support our aspiration to become a leader in using state-of-the-art Artificial Intelligence algorithms to help identify new opportunities and generate value.

To further enhance our study of algorithms and statistics, we completed the implementation of 'Big Data' as a mission critical platform to underpin all our data activities. This will continue to improve the Bank's ability to accelerate Artificial Intelligence and Machine Learning in a more consistent way. By establishing new comprehensive workstreams to reimagine, develop and promote the Bank's services to the giga-projects (i.e. NEOM, Red Sea and others), we engaged with the largest strategic projects of Saudi Arabia's Vision 2030.

This provided the opportunity to showcase our value in the market, position our services as a distinguished and valuable accelerator and offer a unique partnerships model to such giga-projects by leveraging the right models, infrastructure, and BaaS (Backend as a Service) to lead the ecosystem moving forward.

Supporting fintechs

By building the fintech partnerships framework and establishing a dedicated and experienced unit in the Bank to manage the framework in a collaborative model to nurture and progress these partnerships, we strengthened our position as the most fintech-friendly bank while establishing an area of control to maximize leverage and value to all constituents of the fintech ecosystem.

COVID-19 had an effect on our customers' finances and our advances have helped them to weather the storm to a large degree, enabling them to bank and transact online through faster and easier services.

With the Bank's services to the giga-projects (i.e. NEOM, Red Sea and others), we engaged with the largest strategic projects of Saudi Arabia's Vision 2030.

Having done so, the Bank has taken the leading position in the Kingdom in terms of fintech disruption in a number of ways. The Bank has built and continues to evolve a unique service catalogue of products and services that fintechs need and use to create their value propositions while leveraging our well established banking assets as a foundation of their services.

We have also offered qualified fintechs the opportunity to offer their innovative products through our channels to our customer base, creating three-way value (the customer, the fintech and the Bank). Furthermore, we continued to run and manage its financing to spot great investment opportunities in promising fintechs that leverage such funds to accelerate their roadmaps while yielding growth in value through innovative services rendered to the market.

Technology for the future

Digital objectives and initiatives for 2022 will be based on our constantly evolving strategies, as we increase the cash flow, providing greater venture capital and digital innovation centers to help create new business lines and new streams of income.

With all of the above items, as well as more specific business as usual items in our pipeline, we will continue to optimize our operating model for digital and, while doing so, continue to attract key talent to fuel innovation and help fulfil our digital ambitions, to ultimately make a positive impact for the Bank, our partners, and most importantly our customers.

Our achievements in 2021 have proved we have both the resources and expertise to continue our excellent progress. By its very nature, technology is propelling the rate of change and accelerating innovation. At Riyad Bank, we have made some radical changes to our strategy, model and services across our business, customer services, and internal operations, contributing to their financial journeys being more time efficient, cost effective, and seamless.

COVID-19 had an effect on our customers' finances and our advances have helped them to weather the storm to a large degree, enabling them to bank and transact online through faster and easier services.

Our vision for 2022 is to continue leveraging digital innovations and operating models to help our business and markets to not only survive such challenges in the future but also thrive in growing the customer base and creating more value. These are ambitious targets but with the foundation layout and early results of last year we know they are not only possible, but most probable.

Customer Experience

Our customers have always been at the heart of everything we do at Riyad Bank through a relationship built on trust, loyalty and our ability to innovate and surpass our clients' expectations. This year strongly supported that philosophy, as we drove even more progressive and proactive features to all aspects of our services, resulting in greater customer satisfaction and a better brand experience. Throughout 2021, we provided essential new banking products and met COVID-19 challenges with tremendous advances in new technology and outstanding support to our customers.

Last year was an extraordinary experience for the Bank, our customers and our employees. As well as the enhanced financial services we introduced, we also adopted a duty of care both internally and externally. While the restrictions of the pandemic may have eased in many aspects of our lives in 2021, the repercussions are still very evident. Through our policy and product innovations across the year we provided both banking and emotional support and we can take pride in ourselves on lending tremendous assistance to the community throughout these challenging times.

In line with market needs and our digital transformation, we adopted a proactive approach to encourage as many customers as possible to make the shift towards online banking, whether retail, SME or corporates. While this enabled faster, easier banking for many of our customers, we made sure to maintain a high standard of individual attention and care, leveraging the full scope of our digital channels to go beyond simple transactions to deliver more personalised service and solutions.

Goals set and targets reached

Our overall customer experience is measured using multiple evaluation metrics adhering to global standards of customer experience, such as NPS and CES, where we continuously measure advocacy, loyalty, ease of customer interaction, resolution during a request, engagement rate, acquisitions and retention rates. We also benchmark our scores with global standards within the banking industry and have always met or exceeded our performance against KPIs. This year we exceeded KPIs by 120%.

Drive for digitization

Our focal point for 2021 was to be totally customer-centric, with an emphasis on developing our employees to deliver the optimum services, whether that was through new technology, internal change-management or product offerings. We launched a series of customer experience enhancement programs, ensuring that our Staff was completely aligned with our strategies and expectations. The highly positive results identified key areas where services could be improved and allowed us to develop the solutions needed to provide an enhanced customer experience moving forward.

Listening to our customers

Through our commitment to constantly listen to our customers, we identified key areas for improvement across retail and corporate banking products and services, including corporate customers' account opening. Additionally, we reviewed the user experience and usability of 75 products to ensure that our services are both relevant and accessible. We serve our customers best by being proactive in our policies and supportive to their needs.

Our 3 test sessions with more than 30 customers helped us to ensure that not only were our services efficient but that they also created the desired emotional impressions and behaviour. The outcomes of this have played an important part in how we develop our products to create both an effective service and an enjoyable experience.

Based on these and other customer care efforts, we were able to deliver an overall improvement of 25% in our Net Promoter Score (NPS) compared to last year.

Investing in our people

Our employees continue to be pivotal to the Bank's success and it is essential that in order to provide the best possible services to our customers, our Staff must have the most productive channels to their own progress. To this end we launched an Employee Experience Program and completed a map of employee journeys in 2021, made up of recruitment, on-boarding, rewards, performance, promotion, mentoring and coaching.

This has been extremely valuable in identifying any points which have room for improvement and implementing the solutions. It has also enabled us to chart staff development, motivate progress and produce more specific corporate routes for individual members of the team. This included a Relationship Managers' Performance Evaluation Model used for both RM's of Diamond Banking and Private Banking.

Increased all product leads

Increased affluent leads

Increased New to Bank customers

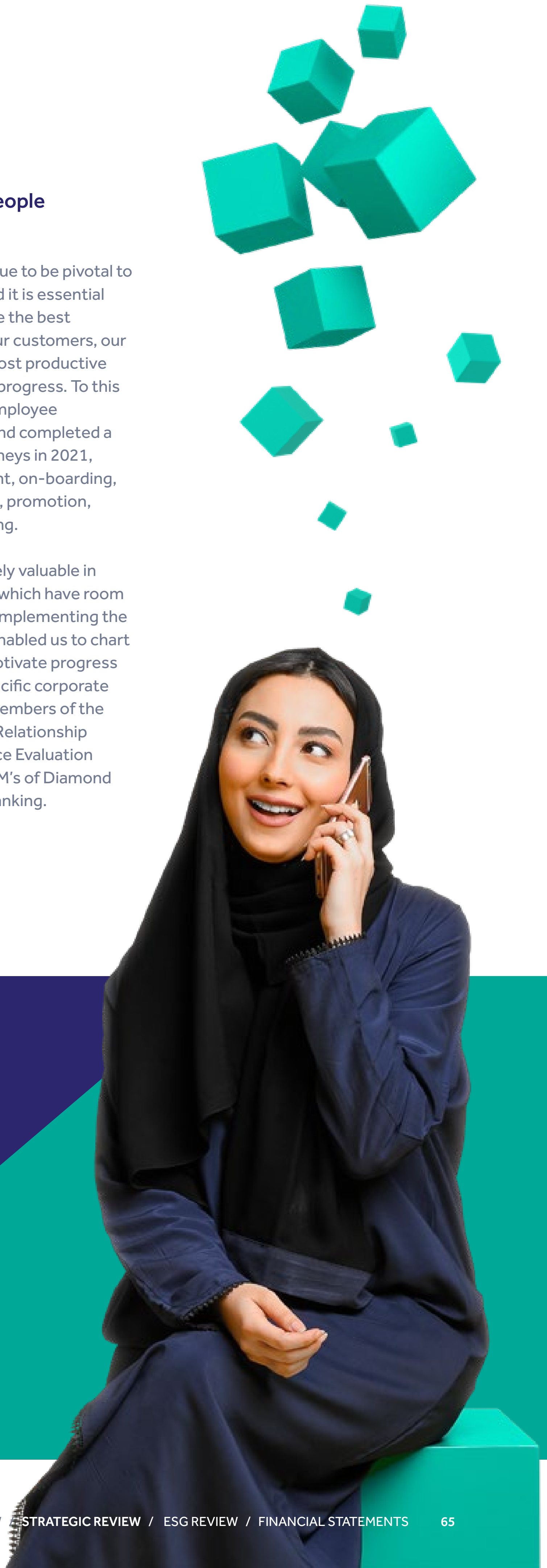
Increased brand value

Maintained brand position

Achieved ROI on bank sponsorships

25%

NPS increase in 2021



Building equity in our brand

In terms of measuring the Bank's progress and leadership within the market, we developed and launched an enhanced Brand Health Tracker Program to gauge our own performance compared to those of our competitors. The results were enormously encouraging as we increased our brand value by 18% and maintained our position as the eighth most valuable brand in the Kingdom.

Our host of awards during 2021 has been a great testament to the success of our brand as well as the unrivalled services we continue to provide.

Expectations for 2022

We performed above and beyond the call of duty in 2021 and considering the destructive consequences of the pandemic, Riyad Bank has proved itself to be a stalwart of the community and a friend and ally to those individuals within the community. Our all encompassing drive for innovation and new technology has been a lifeline for many private customers and SMEs and, as we continue with our digitization, we expect to see the uptake increase even further.

As we come into 2022, we will be looking to develop even easier practices for our customers with as few procedures as possible. By launching our end-to-end process for mortgage loans, personal loans and auto leasing products we will reduce time, effort and correspondence.

In terms of corporate customers, we intend to revamp the Bank's corporate online platform and business mobile solutions to improve the experience and offer a more efficient, comprehensive and user friendly service.

We will also be launching the HASSAD loyalty business program for corporate customers to reward them for their continued allegiance and to incentivize new clients to enjoy the Bank's unrivalled products and services.

Every member of every team in every department within the Bank has a role to play in delivering customer excellence. It is down to the individuals who collectively work together that make Riyad Bank an outstanding business in the eyes of our customers and within the industry. Thank you for your unwavering support.

Our brand value increased by

25%

1

Mohammed bin Rashid Award for Customer Excellence, presented by Mohammed bin Rashid Al Maktoum Business Award

2

Outstanding Winner Award for Customer Excellence, presented by Mohammed bin Rashid Al Maktoum Business Award

3

Ranked first among financing agencies during the year 2020, presented by Kafala Program

4

Middle East's Best Bank for SMEs 2021, presented by Asiamoney

5

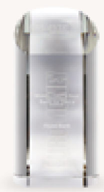
Saudi Arabia's Best Bank for SMEs 2021, presented by Asiamoney

6

GULF SUSTAINABILITY AWARDS 2021™

Best Sustainability Education or Awareness Program, presented by Gulf Sustainability Awards

7



Middle East's Best Bank for SMEs 2021, presented by Euromoney

8

Best Work Environment for Women in Saudi Arabia, presented by Best Places to Work Organization

9

The Best Listing of Sukuk and Bonds, presented by GFC Group

10

Best Corporate Banking in Saudi Arabia 2021, presented by International Business Magazine.

11

Red Hat

Digital Leaders 2021, presented by Red Hat SEMEA.

12

KSA Most Innovative Trade Finance Bank 2021, presented by Trade Finance

03
ESG Review

We will look back on 2021 as a year where our sustainability and corporate social responsibility were at their most ambitious and most effective, laying the foundation for an even greater impact in the years ahead.

Environmental, Social and Governance (ESG)

Riyad Bank's commitment to its corporate sustainability and responsibility in Environmental, Social and Governance (ESG) factors is critical to the future of our Bank. For many years, we have played an active and essential role in contributing to our community to create positive changes that lead to a better future for our communities, our stakeholders and the Kingdom. That contribution continues to be a top priority for both the Bank and its employees, who are outstanding ambassadors and genuine humanitarians in their own right. Once again, it has been a year where we can take enormous pride in our efforts and more importantly our impact.

Our ESG focus for 2021 was to expand our influence and adopt new priorities, including a much more holistic approach to driving sustainability by supporting and safeguarding our people, society and environment. We built every initiative around 4 key pillars – community, knowledge, economy, and environment – knowing that our position in the community gives us not only the ability, but also the responsibility, to make positive contributions to deliver tangible results.

The outcome was remarkable in that we not only made important progress in our initiatives, but we also received several awards, and certifications for our successful initiatives and commitments.

Although our focus shifted more towards the environment, our commitment to health, education, people with disabilities and our employees was as dedicated as ever. We will look back on 2021 as a year where our sustainability and corporate social responsibility were at their most ambitious and most effective, laying the foundation for an even greater impact in the years ahead.

A Sustainable Strategy

Bukra is our comprehensive and long-term corporate social responsibility strategy. It 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).

Vision

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

Mission

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

Objectives

- Align our practices with The Guidance on Social Responsibility (ISO 26000), Accountability Principles Standard (AA1000), The Global Report Initiative (GRI), and the UN Global Compact.
- To be nationally and globally recognized for our professional and collaborative approach to enhance the environment, education, market and the community for our Bank's employees and our society.
- Measure the impact of our programs internally and externally, then prepare reports, insights and statistics to be shared.
- To have a role in the community service programs Kingdom-wise by achieving our goals through involving our employees to lead the Bank into success locally and globally.
- To be diverse, inclusive, transparent and accountable in projects and practices.

Our focus in 2021 was to include environmental protection and sustainability as a key priority without impacting the quality or quantity of our previous commitments which have made such a massive impact on the community. To achieve this, we aligned all members and departments within the Bank to contribute to and support our CSR programs and initiatives. Their input was invaluable and they helped us to maintain our past successes as well as break new boundaries. Ultimately, our vision was to continue with our Bukra strategy, in line with Vision 2030, and be a leading member of sustainable practices that add value to employees, customers, stakeholders and the whole community across Saudi Arabia.

With Bukra, the Bank is targeting the following UNSDGs:

Sustainable Finance Framework

Riyad Bank contributes to the achievement of Vision 2030 through its role in financing and accelerating the energy transition and driving a new wave of investment in line with the Kingdom's goal to achieve Net Zero by 2060.

The Bank's Green and Renewable Banking offering is the cornerstone of its efforts in this regard. In addition, as part of its Bukra strategy, Riyad Bank is one of the most significant financers of small and medium-sized enterprises (SMEs) in Saudi Arabia, a segment that is expected to be one of the future pillars of the Kingdom's economy and therefore key to achieving Vision 2030.

Sustainability Approach

Riyad Bank's Corporate Social Responsibility Vision is to be the regional leader in sustainable practices that add value to employees, customers, stakeholders, and the whole community of Saudi Arabia. This is in full alignment with the United Nations Sustainable Development Goals (SDGs) and the Kingdom of Saudi Arabia's Vision 2030.

In particular, Riyad Bank is committed to supporting the Kingdom's energy transition agenda and the environmental targets of Vision 2030, such as increasing the share of renewable energy in the energy mix to 50%, planting 10 billion trees and reducing annual emissions by 278 Mn tons of CO_2 equivalent by 2030.

Riyad Bank delivers impactful corporate social responsibility practices integrated into the Bank's Strategy and Operations. The vision is outlined and driven through the Bank's Bukra Strategy, which is also aligned to the Ten Principles of the UN Global Compact and the UN Convention on the Rights of Persons with Disabilities.

Sustainability Governance

The CSR Committee, headed by the Chairman, includes the CEO and Chief Experience Officer (CXO), representatives of the Bank's divisions. The CSR Department, under the Communication and Customer Experience Division, oversees the strategy and its implementation, sets standards and targets, determines new initiatives, and reviews and assesses ongoing programmes and projects.

Our society

Playing an Active Role in our Community

Riyad Bank continued to play an active role in our community this year. Our donation accounts, which are opened by various Charities and Associations to supply essential items to the needy, saw more than 410.954 transactions. This extraordinary figure has benefited all members of our society – from the young and the old to all those in need of support – each donation made a substantial difference to their lives.

In a drive to increase blood and organ donations, our 2 blood donation campaigns in 5 cities and 6 locations saw 549 donors enlisted, who donated 247,050 ml of blood to save an estimated 1,647 lives. Our organ donation campaign also recruited 85 people to join those who could benefit from their selfless generosity.

We extended our support agreement for the Autism Research Center at King Faisal Specialist Hospital and Research Center to enable the center to offer its world-class standard of care and develop its services and rehabilitation programs for the treatment of autism spectrum disorder. The total value of the support provided by Riyad Bank to the center amounted to more than SAR 42 Mn.

We also supported the Anti-Cancer Charitable Society in Al-Ahsa (Tafaul) with high quality, efficiency medical devices that will benefit the Society's beneficiaries and help them to achieve its worthy mission.

Finally, looking to the future, we signed a memorandum of understanding with Bab Al Khair Medical Services to establish the first non-profit hospital in the Kingdom, and a partnership to establish a sports club for the elderly in Onaizah Province. More information will be announced about this important initiative as plans progress.

In our Knowledge pillar, we entered a strategic partnership agreement with Madak Education to provide quality education to more than 1,000 students annually. The focus will be to establish an academic laboratory that includes a science lab, a robotics lab and a specialized studio, which will be equipped with the latest and most advanced technical equipment.

To help students, graduates and young people manage and understand the value of their finances, we also collaborated with the National Center of CSR to deliver workshops and seminars regarding saving and financial literacy. The initiative was opened nationally and internationally with more than 123,000 people taking part.

As ever, the younger members of our society were a key focus of attention. Our back-to-school campaign as part of the International Day of Charity distributed 2,000 school bags to charity organizations and presented 1,000 gifts to orphans as part of the Eid Al-Adha campaign. Also, during the Holy Month of Ramadan, we distributed 10,000 food baskets to 62 charitable organizations around the Kingdom, in collaboration with a non-profit enterprise.

Ramadan meals distributed to those in need during the holy month

100,000

Number of full-time staff at Riyad Bank

5,600+

Our people

Safeguarding and Engaging our Greatest Asset

With a total of over 5,600 full-time staff at Riyad Bank, our CSR initiatives have always been totally inclusive of our employees. They continue to be the heart and soul of the organization and their journey with us is of paramount importance. We constantly strive to maintain our philosophy as the best employer we can be and achieve our goal as Bank of Choice for Employees by 2025. Our Staff understand how much we value their contributions and in 2021 we reinforced that even further with acquiring, developing, engaging and rewarding our immense pool of talent.

As the Bank has become a leader in innovation for our products, services and processes, we needed to recruit and expand the necessary skills to manage that. In 2020, Riyad Bank launched the Fursan Al Riyad Program designed to acquire top caliber Saudi graduates for the Bank's future talent and leaders' pipeline. The recruitment and selection process utilized innovative approaches including digital assessment solutions, to ensure that only the most talented candidates were admitted into the program.

As Fursan evolved, those recruits are now fulfilling various roles in banking, technology, IT service management, cyber security, IT governance and emerging technology. Earlier this year, we launched 2 other versions of the program; Fursan 2, intended for treasury and investment, corporate banking, and retail credit; and Fursan 3 targeting retail banking, risk management and finance.

The COVID-19 pandemic continued to play a major part in our lives throughout this year, but Riyad Bank managed through a series of phases to ensure maximum protection. We implemented onsite vaccination areas during a strictly monitored return to work and maintained the full spectrum of safety and security measures across all our work environments to comply with regulations and do everything possible to safeguard our people during this challenging period. The Bank relies on our Staff in every aspect of our progress and as a fair and honorable employer our first duty of care must be towards them.

Riyad Bank Academy

Riyad Bank Academy was officially inaugurated this year to empower young and promising talent, share the latest developments in banking and finance, and enhance their capabilities and performance. The Academy is a true learning hub and regional institute in financial and banking studies in Riyad, emphasizing the city's role as an international financial training center.

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

We believe that better educated professionals can improve the value proposition and employees' competitive advantage of the industries they work for. As one of the leading academies in the Saudi finance sector, this is a unique opportunity for future professionals.

Recruitment

Riyad Bank has been supporting the Human Resources Development Fund to promote on-the-job training to Saudi youth through its Tamheer Program for Saudi graduates. This year, we have trained 75 Tamheer recruits and since our participation in the program, we have placed a total of 56 trainees in permanent jobs.

The Bank has also given priority to its internal talent through its Maserati Program (internal Mobility Program) to fill vacancies. So far, we have internally hired 153 candidates.

Retention

Riyad Bank focuses on a total reward concept that includes compensation, benefits, employee recognition, employee development and employee care.

In early 2021, we conducted industry salary surveys followed by an annual pay review that benchmarked employees' compensation against the market and best practices.

We also continued a performance based system to encourage a culture between employee's level of contribution and the rewards they receive, considering 3 elements: bank performance, administration performance, and employee performance.

Cash and cashless programs were offered in 2021 as a tool to motivate and encourage outstanding performance and achieve the highest levels of productivity.

Incentive programs for employees and their related movement during 2021

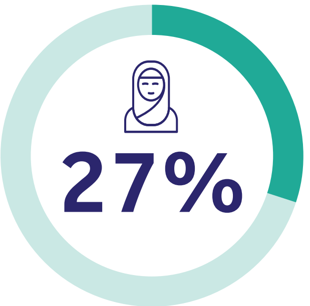
	Investment Savings (Thousand SAR)		
Statement	Employee's Share	Bank's Share	Total
Balance at the beginning of the year	50,229	18,331	68,560
Deposits in 2021	18,151	5,848	23,999
Withdrawals in 2021	(14,580)	(4,546)	(19,1260
End- of- year Balance	**53,800**	**19,633**	**73,433**

Saudization

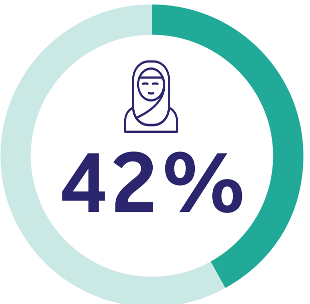
We have strongly participated in the Nationalization Strategic Plan.

Saudization Rate

Feminization Rate



Female recruits in 2021



Diversity and inclusivity

As the Bank continues its best practices to empower women, the human capital team in cooperation with the Best Place to Work Organization conducted a survey to measure the level of female employees' satisfaction. The study resulted in Riyad Bank being certified as the 'Best Place to Work for Women in Saudi Arabia 2021'.

Despite potential challenges in employment for people with disabilities, Riyad Bank is committed to being an equal opportunities employer and ensures that our environment is wholly compliant with the necessary practical and emotional standards. This applies throughout the entire journey from recruitment and progress to support and promotion.

We were also very proud to receive the Mowaamah Golden Certificate for our commitment to applying the best standards and practices in creating a work environment suitable for our people with disabilities.

It is a sustained objective of the Bank to ensure the health and wellness of our people. During World Heath Day this year, Riyad Bank employees took up the challenge to collectively reach 50 Mn steps in a single day, equivalent to the distance of walking around the world.

Organizational health index case study

Prioritizing organizational health and wellness

In line with Riyad Bank's focus and commitment to providing the best possible work environment for all our employees to develop and thrive in rewarding roles and careers, we have made organizational health a priority at every level of Riyad Bank, from the moment a new employee is on-boarded through their journey and time with the Bank, until after they leave the Bank.

In line with this commitment, an Organization Health Index of Riyad Bank was conducted, to listen to our employees and better understand their needs and desires. Over 5,000 employees took part in the Index survey, which generated more than 2,000 employee comments and a great deal of additional data and insights that were then analyzed to improve organizational health in a wide variety of ways through a range of projects and initiatives.

Listening to our employees for continuous improvement

Riyad Bank's Human Capital team spent a great deal of time and effort to thoroughly analyze the results of the survey and develop a Bank-wide response, which included a strategic action plan with a wide range of initiatives and activities to address the identified opportunities for impact and improvement.

Many of the employee comments centered around career advancement, employee recognition and employee wellbeing, which provided clear direction to develop high impact, results oriented plans and activities that were presented and agreed to by the Executive Management, and then rolled out during 2021 across the Bank to benefit all our employees at every level, demonstrating that the voices of our employees are heard, appreciated, and acted upon.

Taking action to deliver positive change

Using our Pulse tool to measure the advancement of organizational health – overall and at the divisional level – and ensure fast and effective action, we launched a number of initiatives based on the insights gained from the Index, including:

- "Kafo Recognition program", which saw a total of 50,000 "Thank You" cards distributed twice this year by employees to recognize their colleagues, demonstrating their pride and commitment to each other, and extending to thousands of employees' LinkedIn accounts.
- "Value Ambassador of the Month Program", also part of Kafo, which recognized more than 180 employees who made a big impact during that month on the business and the work environment.
- "Mustaqbali Exhibition", an event to educate and spread awareness on career management and internal mobility, which took place twice in 2021 with more than 4,000 attendees in both events and over 150 internal vacancies announced to demonstrate the process and opportunities for growth across the organization.

98%

Riyad Bank's employee response rate, which was in the top 3 of the global benchmark response rate according to McKinsey & Company

OHI Pillars

Direction, Work Environment, Accountability, Capability, External Orientation, Leadership, Innovation and Learning, and Motivation

Achieving excellence in organizational health

Organizational Health is known to reflect directly on an organization's financial performance and productivity. The more the employees are engaged and satisfied with their jobs and organizational health, the more they are focused on their roles and responsibilities.

Riyad Banks commitment and initiatives delivered clear improvements in organizational culture and the lives and wellness of our employees, including:

- Senior leadership becoming closer to employees and more open to their feedback.
- Increased willingness to change and accept the changing environment, which is crucial during this unpredictable period
- Improved employee engagement, with over 74% of employees saying they will not leave the Bank if they have the chance

As a result of the effective implementation of these initiatives, Riyad Bank achieved an increase in its Organizational Health Index in Talent Development (+2), Career Opportunities (+6) and Rewards and Recognition (+4), which were all in the top quartile, resulting in an overall score in the top quartile for the second year in a row.

At every level of the organization, we are proud of these results and will continue to build on this positive momentum to increase organizational health in the years ahead.

Top 10% Globally

Riyad Banks' position in the global benchmark for the Employee Engagement Index

MSME Lending

As a leading Bank in the Kingdom, Riyad Bank is committed to playing an influential role in all sectors of the economy. Therefore, supporting micro, small and medium enterprises (MSMEs) businesses, through a range of product offerings to service their unique needs, is a key priority for the Bank.

Riyad Bank's MSME programmes are delivered in support of the Kalafah Program, a government-led strategy that is backed by Kafalah and the SMEs Bank and channels lending to smaller enterprises. Through the provision of financing guarantees by the government, the Kalafah Program[1] helps to fund small and medium enterprises (SMEs) that might not be able to source financing through normal banking channels.

Of all the lending directed to smaller firms since the inauguration of the Kafalah program, Riyad Bank has financed more than a quarter, and in 2021 financed 41% of the total number of firms on the programme.

In response to the pandemic, the programme was expanded by a government initiative in March 2020 in order to channel another US$ 13.33 Bn in financial aid to smaller firms. In recognition of Riyad Bank's contribution to the Kalafah Program, Riyad Bank was ranked number one in financing MSMEs in cooperation with the Kafalah Program in 2021 for the second year in a row. In 2021, Riyad Bank was also awarded Best Bank for SMEs in the Middle East 2021 by both Euromoney and AsiaMoney.

Some of the product offerings and development by Riyad Bank to support MSMEs as shown in the table below:

Initiated the implementation of the Saudi Central Bank Initiative (Payments Deferment Program) with all its supportive programs for the sector, including the Guaranteed Financing Program for People Affected by the Coronavirus Pandemic, as well as postponement of payment for MSMEs not included in the Saudi Central Bank Initiative.

Launch of salary financing programs for MSMEs

Launch of credit card product financing for incidental expenses for MSMEs with credit of up to SAR 250,000

1. https://www.kafalah.gov.sa/en/About/Pages/default.aspx

Our environment

A Greener Bank for a Better World

Having recovered from the disruption of the pandemic, we redoubled our efforts to achieve our aims. In terms of environmental sustainability, our recycling and energy-saving projects proved to be a significant factor in illustrating society's approach to waste and how we can all play a part in improving our outlook. We were delighted to be recognized by the Gulf Sustainability Awards in the Awareness and Education category.

In line with our reputation as a leader in our own field and an activist in our own beliefs, at the Bank's Granada office, we recycled 57% of our paper and saved 20% of electricity cost in our head offices and warehouses.

Overall, we continued promoting the idea of the "Recycling Ecosystem" across our operations this year. We were able to recycle a total of

5,045 Kg

of paper and plastic.

Gulf Sustainability Awards in the Awareness and Education category

In terms of our commitment to minimizing our environmental footprint, this year we saved:

35,315
Gallons of water

85.7
Trees

11.6
Cubic Meters of Landfill

20.18
Tons of CO_2

20,180 kW
of Electricity Savings in Riyad Bank main buildings and warehouses

2020 to 2021

30% Consumption

20% Cost

In recognition of our efforts this year, we won 'Best Sustainability Education or Awareness Program' at the Gulf Sustainability Awards 2021.

Looking forward

Building Responsibly for the Future

Riyad Bank has once again made tremendous headway in supporting the wider community of stakeholders as well as our employees through targeted campaigns, incentives, initiatives and strategies.

Since 2019, we have increased our CSR performance by 47%, by engaging with accountability, evaluating Riyad Bank's CSR performance and benchmarking progress since the last assessment.

A testament to our genuine desire to be good citizens and our gratitude to the Riyad Bank teams who make our operations the best they can be.

Throughout 2022, we will be building on our successes and looking to make even more of a difference to those who need it most. Our greater emphasis on the environment will play a larger part of our strategy and enable even more members of Saudi society to contribute to the social responsibility to which we all have a duty.

Governance

BOARD OF DIRECTORS

Abdullah Mohammed Al-Issa

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

- Board Member – Saudi Basic Industries Corporation (SABIC)

Current Positions

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

Previous Positions

- 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
- President – 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

- MSc 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)

- 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)

-

Current Positions

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

Previous Positions

- Board Member – Commercial Union for Cooperative Insurance

Qualifications

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

Jamal Abdul-Karim Al-Rammah

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

-

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 - compensation and documentation committees for a number of subsidiaries and joint companies for the Saudi Arabian Oil Company (Aramco)
- Member and Chairman - committees in Aramco and in several companies affiliated with Saudi Aramco and joint companies inside and outside the Kingdom

Qualifications

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

Talal Ibrahim Al-Qudaibi

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

-

Current positions

- Member of the Shura Council

Previous positions

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

Qualifications

- MA in Economics – University of Southern California, USA
- Bachelor of Business Administration – Portland State University, USA

Abdul-Rahman Amin Jawa

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

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

Current positions

-

Previous positions

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

Qualifications

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

Mohammed Talal Al-Nahas

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

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

Current positions

- Governor and Board Member of the General Organization for Social Insurance
- Chairman of the Board of Directors - The Cooperative Company for Real Estate Investment
- Chairman of the Board of Directors - Asma Capital
- Chairman of the Board of Directors - Raza Company
- Chairman of the Board - Dammam Pharma
- Member of the Board of Directors and Member of the Compliance and Risk Committee - International Water and Energy Works Company (Aquapower)

Previous positions

- Governor and Board Member of the Public Pension Agency
- Member of the Executive Committee - Public Pension Agency
- Member of the Nominations and Remunerations Committee - Public Pension Agency
- Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee - The Leading Investment Company
- Member of the Board of Directors - National Center for Privatization
- Member of the Board of Directors - Taiba Holding Company
- Member of the Board of Directors and a member of the Executive Committee - Saudi Travelers Checks Company
- General Manager of Branch Banking - Alinma Bank
- Regional Director of Central Region Branches - Samba Financial Group
- Head of Banking Transactions and Express Transfers Branches - Samba Financial Group
- Deputy General Manager of Human Resources - Samba Financial Group
- Senior Product Manager - Samba Financial Group
- Product Officer/Director - Samba Financial Group

Qualifications

- Executive Management Program – University of Michigan, USA
- English Language Diploma – San Diego State University, USA
- Bachelor of Accounting – King Saud University

Mohammed Abdulaziz Al-Afaleq

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

-

Current positions

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

Previous positions

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

Qualifications

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

Mohammed Omair Al-Otaibi

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

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

Current positions

- Chairman of the Board of Directors – Zameen E-Marketing Company
- Member of the Audit Committee – Al Mojil Trading and Contracting Company

Previous positions

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

Qualifications

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

Nader Ibrahim Al-Wehibi

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

- Board Member – Saudi Basic Industries Corporation (SABIC)

Current positions

- Assistant Governor for Insurance Affairs – General Organization for Social Insurance
- Board Member – Madad Business Company

Previous positions

- Board Member – Jarir Marketing Company
- Board Member – The National Medical Care Company
- General Director of Planning and Development – General Organization for Social Insurance
- Secretary General – Board of Directors of the General Organization for Social Insurance
- Consultant, Pensions Administration – General Organization for Social Insurance

Qualifications

- MA in Social Protection Policies – Maastricht University, Netherlands
- Bachelor of Insurance – Indiana State University, USA

EXECUTIVE MANAGEMENT

Tareq Abdulrahman Al-Sadhan

Chief Executive Officer

Previous positions

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

Qualifications

- Master of Business Management - Ecole National des Ponts et Chaussees, France
- Bachelor of Administration Science, majoring in accounting - King Saud University

Abdullah Ali Al-Oraini

Chief Financial Officer

Previous positions

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

Qualifications

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

Mohammed Abdullah Al-Yahya

Chief Operating Officer

Previous positions

- Chief Operating Officer - Bank AlBilad
- Member of the Board of Directors - Saudi British Bank

Educational Qualifications

- Bachelor of Computer Science - Eastern Michigan University
- Executive education programs, such as the Advanced Management Program from INSEAD
- Management Development Program - University of Michigan

Mohammed Abo Al-Naja

Chief Corporate Banking Officer

Previous positions

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

Qualifications

- Bachelor of Law - King Saud University
- Management and Leadership Development Program - Oxford University

Riyadh Otaibi Al-Zahrani

Chief Retail Banking Officer

Previous positions

- Head of retail banking - Riyad Bank
- Executive Vice President of Operations and Business Technology - Riyad Bank
- Executive Vice President of Operations - Riyad Bank
- Director of Retail Banking Services - Riyad Bank
- Director of the Electronic Banking Department - Riyad Bank

Qualifications

- Executive training programs at global institutes, such as INSEAD and BAI
- Bachelor of Accounting - King Saud University

Nadir Sami Al-Koraya

Chief Treasury and Investment Officer

Previous positions

- Head of Money Market and Fixed Income - SAMBA Financial Group
- Head of treasury and investment - Riyad Bank
- Head of Treasury Department - Riyad Bank
- Treasurer - Riyad Bank
- Assistant General Manager, Treasury Group - Samba Bank

Qualifications

- MBA - University of California
- Various leadership programs at reputable institutions, including Harvard Business School

Mazen Mohamed Khalefah

Chief Human Capital Officer

Previous positions

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

Qualifications

- Bachelor of Industrial Engineering - King Abdulaziz University
- Executive and leadership programs from institutions, such as the Institute for Management Development (IMD), INSEAD, and Michigan Ross School of Business

Khalid Waleed Al-Khudair

Chief Experience Officer

Previous positions

- Chief Operating Officer, Markets - KPMG Saudi Arabia, Kuwait, and Jordan
- Executive management committee - Deutsche Gulf Finance
- First Saudi Fellow at Ashoka, the largest network of leading social entrepreneurs in the world, a Young Global Leader at the World Economic Forum, and an Endeavor Entrepreneur
- Founder of Glowork

Qualifications

- Many awards and recognitions, such as King Salman Award for Entrepreneurship, EY Entrepreneur of the year, Challiot Human Rights Prize by the European Union and was ranked the Third Most Influential Arab ranking by Arabian Business
- 2 Executive Education Programs in Leadership and Public Policy - Yale University and Harvard Kennedy School respectively
- Bachelor of Commerce, with triple majors: Marketing, HR and Psychology - Saint Mary's University, Canada

Mazen Ghassan Pharaon

Chief Digital Officer

Previous positions

- Partner - Deloitte ME
- Deloitte Digital Center Leader, in charge of building and integrating the ME digital capabilities and integrating globally
- Chief Technology Officer - Samba Financial Group
- First few founding team members to build and launch Alinma Bank Project leader to launch Alinma Investment Co.
- SPAN2 and PoS program leader in SAMA
- First Saudi EWSD Engineer in SIEMNS, trained and worked on Siemens Telecom Exchanges for local traffic and international gateways

Qualifications

- Bachelor of Computer Engineering - King Saud University
- The Disruptive Innovation Program of Harvard Business School

Grant Eric Lowen

Chief Risk Officer

Previous positions

- Group Chief Credit and Risk Officer - Bank ABC BAHRAIN
- Group Chief Risk Officer - QNB Qatar
- Chief Risk Officer International Financial Services - CBA
- Group Auditor - Commonwealth Bank of Australia (CBA)
- Group Auditor and General Manager Operational Risk - St George Bank
- Chief Manager Strategy and Design IT and Operations - Westpac Banking
- Manager Financial Management Consulting - KPMG

Qualifications

- Bachelor's level qualification in Accounting ACA - Christchurch Technical College as member of New Zealand Society of Accountants
- Chartered Accountant (ACA) Australia and New Zealand
- Member of Australian Institute of Company Directors (GAICD)

Members of the Board of Directors and emanating committees

The Bank's Board of Directors

The Bank is managed by a board of directors consisting of 10 members to be elected by the General Assembly every 3 years. The Board of Directors in its current term includes 4 independent members and 6 non-executive members, according to the definitions contained in Article 1 of the Corporate Governance Regulations issued by the Capital Market Authority. The Board of Directors conducted 7 meetings during the year 2021, and the attendance rate of the meetings, was (in person) 100%, taking into account those who attended by proxy.

Composition of the Board of Directors and classification of its members

Member's Name	Position Representation	Membership Rating	Representation
1. Abdullah Mohammed Al-Issa	Chairman of the Board of Directors	Non-Executive	-
2. Mutaz Kusai AlAzzawi	Deputy Chairman of the Board	Independent	-
3. Ibrahim Hassan Sharbatly	Member of the Board of Directors	Independent	-
4. Jamal Abdul-Karim Al-Rammah	Member of the Board of Directors	Independent	-
5. Talal Ibrahim Al-Qudaibi	Member of the Board of Directors	Independent	-
6. Abdul-Rahman Amin Jawa	Member of the Board of Directors	Non-Executive	Public Investment Fund
7. Mohammed Talal Al-Nahas	Member of the Board of Directors	Non-Executive	Public Pension Agency
8. Mohammed Abdulaziz Al-Afaleq	Member of the Board of Directors	Non-Executive	-
9. Mohammed Omair Al-Otaibi	Member of the Board of Directors	Non-Executive	Public Investment Fund
10. Nader Ibrahim Al-Wehibi	Member of the Board of Directors	Non-Executive	Hassana Investment Company

Board meetings in 2021

Attendance record of the Board Members, in person and by proxy, for the Board meetings in 2021

Member's Name	16.02.2021	23.03.2021	04.05.2021	16.06.2021	08.09.2021	01.11.2021	14.12.2021
1. Abdullah Mohammed Al-Issa	✓	✓	✓	✓	✓	✓	✓
2. Mutaz Kusai AlAzzawi	✓	✓	✓	✓	✓	✓	✓
3. Ibrahim Hassan Sharbatly	✓	✓	✓	✓	✓	✓	✓
4. Jamal Abdul-Karim Al-Rammah	✓	✓	✓	✓	✓	✓	✓
5. Talal Ibrahim Al-Qudaibi	✓	✓	✓	✓	✓	✓	✓
6. Abdul-Rahman Amin Jawa	✓	✓	✓	✓	✓	✓	✓
7. Mohammed Talal Al-Nahas	✓	✓	✓	✓	✓	✓	✓
8. Mohammed Abdulaziz Al-Afaleq	✓	✓	✓	✓	✓	✓	✓
9. Mohammed Omair Al-Otaibi	✓	✓	✓	✓	✓	✓	✓
10. Nader Ibrahim Al-Wehibi	✓	✓	✓	✓	✓	✓	✓

Committees emanating from the Board of Directors

The Board of Directors of Riyad Bank delegates some of its duties to the main committees formed from the members of the Board, with the exception of the Audit Committee, which includes in its composition 3 members from outside the Board, in addition to 2 members of the Board, and the Nominations and Compensations Committee, includes in its composition 2 members from outside the Board, in addition to 3 members from the Board.

The following is an explanation of the main duties of the Bank's Board Committees.

1 - The Executive Committee

Main tasks and responsibilities

The Executive Committee exercises the credit, banking, financial and administrative powers in the Bank that are granted by the Board of Directors. The Executive Committee in the Bank consists of 5 members. The number of meetings of the Committee during the year 2021 was 14, and the attendance rate for the meetings was (in person) 100%, taking into account those who attended by proxy.

Executive Committee meetings in 2021

Attendance record of the members of the Executive Committee, in person or by proxy, for the committee meetings in 2021

Member's Name	Position	17.01.2021	25.02.2021	11.03.2021	17.03.2021	15.04.2021	02.05.2021	06.06.2021	04.07.2021	05.08.2021
1. Talal Ibrahim Al-Qudaibi	President	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Abdul-Rahman Amin Jawa	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Mohammed Abdulaziz Al-Afaleq	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓

Attendance record of the members of the Executive Committee, in person or by proxy, for the committee meetings in 2021

Member's Name	Position	02.09.2021	10.10.2021	25.11.2021	02.12.2021	23.12.2021
1. Talal Ibrahim Al-Qudaibi	President	✓	✓	✓	✓	✓
2. Abdul-Rahman Amin Jawa	Member	✓	✓	✓	✓	✓
3. Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓	✓
4. Mohammed Abdulaziz Al-Afaleq	Member	✓	✓	✓	✓	✓
5. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓

2 - Audit Committee

Main duties and responsibilities

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

The Audit Committee in the Bank consists of 5 members, of whom 3 are from outside the Board of Directors and they are Mr. Tareq Abdullah Al-Qaraawy, Dr. Abdul Raouf Sullaiman Banaja, and Mr. Abdul Aziz Abdullah Al-Duailej, whose membership expired on 13 March, 2021. Mr. Abdul Aziz Khalid Al-Falih, joined the committee on 27 April, 2021 by virtue of the Board of Directors' decision No. 2/c/688, dated 27 April, 2021, which will be presented to the next meeting of the General Assembly for approval. The Audit Committee was formed by a decision from the General Assembly on 30 September, 2019. The number of Audit Committee meetings during the year 2021 was 12, and the attendance rate was 100%.

Audit Committee meetings in 2021

Attendance record of the Audit Committee members for the meetings of the Committee in 2021

Member's Name	Position	12.01.2021	15.02.2021	29.03.2021	27.04.2021	26.05.2021	28.06.2021	28.07.2021	25.08.2021	28.09.2021
1. Jamal Abdul-Karim Al-Rammah	President	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mohammed Omair Al-Otaib	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Tareq Abdullah Al-Qaraawy	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Abdul Raouf Sullaiman Banaja	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Abdul Aziz Abdullah Al-Duailej	Member	✓	✓							
6. Abdul Aziz Khalid Al-Falih	Member					✓	✓	✓	✓	✓

Attendance record of the Audit Committee members for the meetings of the Committee in 2021

Member's Name	Position	26.10.2021	17.11.2021	28.12.2021
1. Jamal Abdul-Karim Al-Rammah	President	✓	✓	✓
2. Mohammed Omair Al-Otaibi	Member	✓	✓	✓
3. Tareq Abdullah Al-Qaraawy	Member	✓	✓	✓
4. Abdul Raouf Sullaiman Banaja	Member	✓	✓	✓
5. Abdul Aziz Abdullah Al-Duailej	Member			
6. Abdul Aziz Khalid Al-Falih	Member	✓	✓	✓

3 - Risk Management Committee

Main duties and responsibilities

The Risk Management Committee assists the Board of Directors in carrying out its responsibilities by fully supervising the Bank's risk strategy, reviewing acceptable risk levels, making recommendations to the Board of Directors, and monitoring the executive management's commitment to the risk limits approved by the Board of Directors and their implementation. In this regard, it may review all aspects and types of the risks that the Bank is exposed to, review the extent of the executive management's commitment to the controls for managing these risks, and verify the adequacy of the measures taken to hedge them. The Risk Management Committee in the Bank consists of 3 members. The number of meetings of the Risk Management Committee during the year 2021 was 6, and the attendance rate for the meetings was (in person) 100%, taking into account those who attended by proxy.

Meetings of the Risk Management Committee in 2021

Attendance record of the members of the Risk Management Committee, in person or by proxy, for the committee meetings in 2021

Member's Name	Position	24.02.2021	06.04.2021	15.06.2021	11.08.2021	06.10.2021	15.12.2021
1. Mohammed Abdulaziz Al-Afaleq	President	✓	✓	✓	✓	✓	✓
2. Jamal Abdul-Karim Al-Rammah	Member	✓	✓	✓	✓	✓	✓
3. Mohammed Omair Al-Otaibi	Member	✓	✓	✓	✓	✓	✓

4 - Nomination and Remuneration Committee

Main duties and responsibilities

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

The Nomination and Remuneration Committee sets the nomination and selection policy for Board membership and ensures that all members meet the statutory requirements for Board membership in accordance with the relevant regulations. The Committee consists of 5 members, including 2 members from outside the Board of Directors, namely Eng. Ahmad Mohammed Al-Falih and Eng. Khalid Saleh Al-Turairi. The number of meetings of the Nomination and Remuneration Committee during the year 2021 was 3, and the attendance rate for the meetings was (in person) 100%, taking into account those who attended by proxy.

Meetings of the Nomination and Remuneration Committee in 2021

Attendance record of the Nomination and Remuneration Committee members, in person or by proxy, for the committee meetings in 2021

Member's Name	Position	07.02.2021	03.10.2021	17.10.2021
1. Mutaz Kusai AlAzzawi	President	✓	✓	✓
2. Talal Ibrahim Al-Qudaibi	Member	✓	✓	✓
3. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓
4. Ahmad Mohammed Al-Falih	Member	✓	✓	✓
5. Khalid Saleh Al-Turairi	Member	✓	✓	✓

5 - Strategic Planning Group

Main duties and responsibilities

The Strategic Planning Group supervises the preparation of the Bank's strategic directions and follows up and evaluates the steps taken to achieve its objectives. It provides the necessary support to the Board of Directors on strategic planning processes and matters of strategic importance, including business development and expansion. The group is also responsible for monitoring the Bank's progress in achieving its long-term financial and strategic objectives. The group consists of 5 members. The number of meetings of the Strategic Planning Group during the year 2021 was 2, and the attendance rate for the meetings was (in person) 100%, taking into account those who attended by proxy.

Meetings of the Strategic Planning Group in 2021

Attendance record of the Strategic Planning Group members, in person or by proxy, for the group's meetings in 2021

Member's Name	Position	13.06.2021	01.12.2021
1. Abdullah Mohammed Al-Issa	President	✓	✓
2. Ibrahim Hassan Sharbatly	Member	✓	✓
3. Talal Ibrahim Al-Qudaibi	Member	✓	✓
4. Abdul-Rahman Amin Jawa	Member	✓	✓
5. Mohammed Talal Al-Nahas	Member	✓	✓

Qualifications and experiences of external committee members

Member's Name	Current Positions	Previous Positions	Qualifications
Audit Committee			
1. Tareq Abdullah Al-Qaraawy	• Member of the Audit Committee – Savola Group • Member of the Audit Committee – Savola Food Company • Board Member – Osoul and Bakheet Investment Company • Board Member - Evening Cups for Beverages Co.	• 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 – Iffaa Office for Management Consulting • Regional Director – Corporate Banking Group – Bank Albilad • Director of Strategy and Planning – Bank Albilad • Private consulting • Senior Relationship Manager, Corporate Banking – SABB Bank • Director, Islamic Banking, Corporate Banking - SABB Bank • Relationship Officer, Corporate Banking – The Saudi Investment Bank	• Master of Accounting – George Washington University, USA • Bachelor of Accounting – King Saud University • Certified Management Accountant (CMA) - Institute of Management Accountants of America IMA • Certified Financial Manager (CFM) - IMA
2. Abdul Raouf Sullaiman Banaja	• Member of the Audit Committee – Savola Group • Member of the Audit Committee – Herfy Food Services Company • Member of the Audit Committee – Kinan International Real Estate Development Company • Member of the Audit Committee – Special Economic Zones and Cities Authority	• Member of the Audit Committee - Panda Retail Company • Board Member – AlAhli Capital Funds • Board Member - SEDCO Capital Funds • Chairman of the Board of Directors – Building Proper Real Estate Fund Company • Chairman – SEDCO Capital Flexible Saudi Equity Fund • Chairman of the Board of Directors – SEDCO Capital REIT Fund • Chairman of the Board of Directors – SEDCO Capital Real Estate Income Fund 1 • Chairman of the Board of Directors – SEDCO Capital Real Estate Income Fund 2 • Board Member – United Matbouli Group • Member of the Audit Committee – Savola Food Company • Board Member – National Commercial Bank • Independent consultant • Director of Corporate Finance Department – Alawwal Financial Services • Senior Vice President and Member of the Executive Committee – Saudi Economic and Development Holding Company (SEDCO) • Regional Director – Saudi Economic and Development Company (SEDCO), Egypt • Assistant General Manager – Director of International Banking - National Commercial Bank • Regional Manager – Gulf International Bank, Middle East, Bahrain • Adviser to the Deputy Governor – Saudi Arabian Monetary Agency • Assistant General Manager, Corporate Banking – SABB Bank • Credit Sector Manager – SABB Bank • Economic Adviser – Ministry of Finance • Assistant Professor – Head of Quantitative Analysis Department – King Saud University	• PhD in Economics – University of California • Master of Economics – University of California, USA • Bachelor of Mathematics and Physics – University of Riyadh
3. Abdul Aziz Khalid Al-Falih	• Partner and Board Member - Badwa Capital, Dubai, UAE	• Director - McKinsey & Company • Investment Partner - TPG Capital, San Francisco, USA • Investment Partner – Aramco, KSA	• Master of Business Administration - Stanford University, USA • Bachelor of Chemical Engineering - Massachusetts Institute of Technology (MIT), USA

Member's Name	Current Positions	Previous Positions	Qualifications
Audit Committee			
4. Abdul Aziz Abdullah Al-Duailej	• Head - General Authority for Civil Aviation (GACA)	• Chairman of the Board of Directors – Bin Laden International Holding Group • Board Member – Taiba Holding Company • CEO – Advanced Electronics Company • Board Member - Enforcement and Liquidation Center • Chairman of the Industrial Committee – Riyadh Chamber • Chairman of the Board of Directors - Trans Future Industrial Investment Company • Chairman of the Board of Directors – Saudi Company for Advanced Industries • Vice Chairman of the Board of Directors – Al Salam Aircraft Company • Board Member – Rafal Real Estate Development Company • Board Member – Thabat Real Estate Development Company • Board Member – Aayan Capital Financial Company • Board Member – The First Real Estate Development Company • Board Member – Saudi Fish Company • Board Member – Deutsche Gulf Finance • Board Member – Emaar Middle East Company • Board Member – Saudi Printing and Packaging Company • Board Member – Saudi Research and Publishing Company • Board Member – Saudi Pipes Company • Managing Director and CEO – Saudi Printing and Packaging Company • Managing Director and CEO – The First Real Estate Development Company • CEO – Middle East Specialized Cables Company • CEO – Edwan Chemical Industries Company	• Bachelor of Industrial Management - King Fahd University of Petroleum and Minerals
Nomination and Remuneration Committee			
1. Ahmed Mohammed Al-Falih	• Board Member – Herfy Food Services Co. • Chairman of the Nomination and Remuneration Committee – Herfy Food Services Co. • Member of the Executive Committee - Herfy Food Services Co. • Member of the Board of Directors – United Company for Technical Work • Member of the Board of Directors and Director General – The Leading Commercial Representation Company • Member of the Board of Directors – Mohammed Saleh Al-Sultan Consulting Professionals • Technical consulting, contractual arbitration	• Board Member – Musa Abdul Aziz Al Mousa & Sons • Board Member - Advanced Seal Company • Board Member – Aluminum Products Co. – Bako • Board Member – Holding Facilities Company • Board Member – Easy Transport Company • Consultant – Facilities Marketing Company • General Manager – Facilities Marketing Company • President – Group of Companies Mashreq • General Manager – Al-Mashreq Contracting Company • General Manager – Olayan Food Services Company • President – Tiné Company International • Vice President – Riyadh International Corporation McDonald's • Vice President for Financial and Administrative Affairs – Saudi Company for Operation and Maintenance • Engineering Projects – Ministry of Health • Project Engineer – Ibn Al-Bitar Company (SABIC)	• Bachelor of Civil Engineering – King Fahd University of Petroleum and Minerals
2. Khalid Saleh Al-Turairi	• General Manager of Special Projects, Human Resources - Saudi Basic Industries Corporation (SABIC)	• Board Member – Hadeed Company (SABIC) • Board Member – National Entrepreneurship Institute • General Manager, Learning and Development, Human Resources – Saudi Basic Industries Corporation (SABIC) • General Manager, Benefits and Compensation, Human Resources – Saudi Basic Industries Corporation (SABIC) • General Manager, Middle East, Human Resources – Saudi Basic Industries Corporation (SABIC) • General Manager, Personnel Services, Human Resources –Saudi Basic Industries Corporation (SABIC) • General Manager, Information Technology – Saudi Basic Industries Corporation (SABIC)	• Bachelor of Computer Science and Engineering – King Fahd University of Petroleum and Minerals

Evaluating the performance of the Board of Directors and its committees

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

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

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

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

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

Remuneration of the members of the Board of Directors, its committees, and senior executives during the year 2021

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

The Board of Directors - based on the recommendation of the Nomination and Remuneration Committee - determines the remuneration of the senior executives, so that the remuneration is consistent with the strategic objectives of the Bank, and that they are effective in motivating senior executives to achieve those goals.

Remuneration of Board Members

	Name	Specific amount*	Allowance for attending Board meetings	Total allowance for attending committee meetings**	In-kind benefits	Remuneration for technical, administrative and consulting work	Remuneration of the Chairman, Managing Director or Secretary if he is a member	Total	Variable remuneration ***	End of service gratuity	Total amount	Expense allowance **** SAR 1,000
Independent Members	Mutaz Kusai AlAzzawi	380	35	85	-	-	-	120	-	-	500	-
	Ibrahim Hassan Sharbatly	400	35	10	-	-	-	45	-	-	445	12.15
	Jamal Abdul-Karim Al-Rammah	400	35	100	-	-	-	135	-	-	535	24.40
	Talal Ibrahim Al-Qudaibi	370	35	95	-	-	-	130	-	-	500	-
	Independent Members	**1,550**	**140**	**290**	**-**	**-**	**-**	**430**	**-**	**-**	**1,980**	**36.55**
Non-Executive members	Abdullah Mohammed Al-Issa	455	35	10	-	-	1,000	1,045	-	-	1,500	-
	Abdul-Rahman Amin Jawa	385	35	80	-	-	-	115	-	-	500	-
	Mohammed Abdulaziz Al-Afaleq	355	35	110	-	-	-	145	-	-	500	10.24
	Mohammed Omair Al-Otaibi	400	35	100	-	-	-	135	-	-	535	-
	Mohammed Talal Al-Nahas	400	35	10	-	-	-	45	-	-	445	-
	Nader Ibrahim Al-Wehibi	380	35	85	-	-	-	120	-	-	500	-
	Non-Executive members	**2,375**	**210**	**395**	**-**	**-**	**-**	**1,605**	**-**	**-**	**3,980**	**10.24**
	Total	**3,925**	**350**	**685**	**-**	**-**	**1,000**	**2,035**	**-**	**-**	**5,960**	**46.79**

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

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

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

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

Remuneration of members of the committees emanating from the Board of Directors

Name	Fixed rewards (except for the allowance for attending sessions)	Allowance to attend sessions	Total	Expense allowance*
Members of the Executive Committee				
1. Talal Ibrahim Al-Qudaibi	-	70	70	-
2. Abdul-Rahman Amin Jawa	-	70	70	-
3. Mutaz Kusai AlAzzawi	-	70	70	-
4. Mohammed Abdulaziz Al-Afaleq	-	70	70	-
5. Nader Ibrahim Al-Wehibi	-	70	70	-
Total	**-**	**350**	**350**	**-**
Members of the Audit Committee				
1. Jamal Abdul-Karim Al-Rammah	-	60	60	-
2. Mohammed Omair Al-Otaibi	-	60	60	-
3. Tareq Abdullah Al-Qaraawy (external)	120	60	180	-
4. Abdul Raouf Sullaiman Banaja (external)	120	60	180	-
5. Abdul Aziz Khalid Al-Falih (external)	80	40	120	-
6. Abdul Aziz Abdullah Al-Duailej (external)**	24.3	10	34.3	-
Total	**344.3**	**290**	**634.3**	**-**
Members of the Risk Management Committee				
1. Mohammed Abdulaziz Al-Afaleq	-	30	30	-
2. Jamal Abdul-Karim Al-Rammah	-	30	30	-
3. Mohammed Omair Al-Otaibi	-	30	30	-
Total	**-**	**90**	**90**	**-**
Members of the Nomination and Remuneration Committee				
1. Mutaz Kusai AlAzzawi	-	15	15	-
2. Talal Ibrahim Al-Qudaibi	-	15	15	-
3. Nader Ibrahim Al-Wehibi	-	15	15	-
4. Ahmad Mohammed Al-Falih (external)	120	15	135	-
5. Khalid Saleh Al-Turairi (external)	120	15	135	4.33
Total	**240**	**75**	**315**	**4.33**
Members of the Strategic Planning Group				
1. Abdullah Mohammed Al-Issa	-	10	10	-
2. Ibrahim Hassan Sharbatly	-	10	10	-
3. Talal Ibrahim Al-Qudaibi	-	10	10	-
4. Abdul-Rahman Amin Jawa	-	10	10	-
5. Mohammed Talal Al-Nahas	-	10	10	-
Total	**-**	**50**	**50**	**-**
Members of the committees emanating from the Board of Directors	**584.3**	**855**	**1,439.3**	**4.33**

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

** His membership was terminated on 13 March, 2021.

Salary and compensation data for 6 senior executives (including the CEO and Chief Financial Officer):

Description	SAR'000s
Fixed rewards	
Salaries	12,874
Allowances	1,667
Benefits	214
Total	14,755
Variable rewards	
Periodic rewards	20,478
Profits	-
Short-term incentive plans	-
Long-term incentive plans	1,004
Shares awarded	-
Total	**21,482**
End of service gratuity	**1,353**
Total executive bonus for the Board, if any	**-**
Total	**37,590**

Assignment of interests by Shareholders, Directors, or Senior Executives

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

The cash dividends that were distributed for the first half were disbursed to all Shareholders on 23 July, 2021. The cash dividends for the second half of 2021 will be distributed to Riyad Bank Shareholders who own shares directly, at the end of the day that the Bank's Annual General Assembly takes place, and those registered in Riyad Bank's records with the Securities Depository Center Co., (Edaa) will receive their cash dividend at the end of the second trading day following the date of the Annual General Assembly to be held during the second quarter of 2022, which will be announced later after obtaining the necessary approvals from the competent authorities.

Changes in major ownership interests

The following table shows the main owners of the Bank who each own 5% or more of the shares, and the changes in their ownership percentages as at the end of trading on 31 December, 2021.

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%	21.8%
GOSI	501,757,200	632,905,352	131,148,152	26.16%	21.1%
Al Nahla Trading and Contracting Company	262,149,903	262,149,903	-	0.00%	8.7%
Assila Investment Company	240,000,000	240,000,000	-	0.00%	8.0%

Riyad Bank extracted the above data from the records of Riyad Bank at the Saudi Stock Exchange (Tadawul) at the end of the trading 31 December, 2021.

Ownership of members of the Board of Directors, Senior Executives, their spouses and minor children of Riyad Bank shares and the ownership changes during the year 2021.

The following 2 tables show a description of any interest of board members or senior executives and their spouses and minor children in the shares or debt instruments of the Bank or any of its subsidiaries and any change that occurred therein during the year:

A. Members of the Board of Directors, their spouses and minor children.

Name of the party holding the interest	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	% Change	Debt instruments
Abdullah Mohammed Al-Issa	1,262,000	1,262,000	-	0.00%	-
Jamal Abdul-Karim Al-Rammah	1,142	1,142	-	0.00%	-
Ibrahim Hassan Sharbatly	694,508	694,508	-	0.00%	-
Talal Ibrahim Al-Qudaibi	66,864	66,864	-	0.00%	-
Abdul-Rahman Amin Jawa	1,928	244	(1,684)	-87.34%	-
Mohammed Talal Al-Nahas	-	-	-	0.00%	-
Mohammed Abdulaziz Al-Afaleq	100,000	100,000	-	0.00%	-
Mohammed Omair Al-Otaibi	1,000	0	(1,000)	-100.00%	-
Mutaz Kusai AlAzzawi	1,347,000	1,347,000	-	0.00%	-
Nader Ibrahim Al-Wehibi	-	-	-	0.00%	-

B. Senior executives, their spouses and minor children

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

General Assemblies held during the year 2021

Riyad Bank held 1 Assembly for its Shareholders during the fiscal year 2021, namely, the Ordinary General Assembly held on 10/08/1442 AH corresponding to 23 March, 2021. Following is a record of the attendance of the members of the Board of Directors for these meetings:

Name	Attendance: The Ordinary General Assembly held on 23 March, 2021
Abdullah Mohammed Al-Issa	✓
Jamal Abdul-Karim Al-Rammah	✓
Ibrahim Hassan Sharbatly	✓
Talal Ibrahim Al-Qudaibi	✓
Abdul-Rahman Amin Jawa	✓
Mohammed Talal Al-Nahas	✓
Mohammed Abdulaziz Al-Afaleq	✓
Mohammed Omair Al-Otaibi	✓
Mutaz Kusai AlAzzawi	✓
Nader Ibrahim Al-Wehibi	✓

Statement on the number of Riyad Bank's requests for records of shareholders and dates and causes during 2021

Request Date	Reason
23 March, 2021	The General Assembly
28 March, 2021	Profit file
05 April, 2021	Corporate actions
27 June, 2021	Profit file
25 July, 2021	Corporate actions
06 October, 2021	Corporate actions
26 December, 2021	Corporate actions

Assurances of the Board of Directors

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

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 Riyad Bank and Senior Executives and their relatives), informed Riyad Bank of these rights under Article 68 of the Rules for the Offer of Securities and Continuing Obligations, or was there any change in these rights during the fiscal year 2021.

Auditors

The Ordinary General Assembly approved the Shareholders of Riyad Bank at its meeting held on 23 March, 2021, to appoint "Ernst & Young" and "PricewaterhouseCoopers" as the Bank's Auditors for the financial year ending 31 December, 2021. The General Assembly will consider at its next meeting the reappointment or replacement of the current auditors and determine their fees for auditing the accounts of Riyad Bank for the fiscal year ending 31 December, 2022, after reviewing the recommendation of the Board of Directors in this regard based on the recommendation of the emerging Audit Committee.

Auditors' reservations on the Annual Financial Statements

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

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

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

Corporate Governance Regulations

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

Compliance

Riyad Bank continuously seeks to establish a healthy compliance culture to maintain its professional values and highest ethical standards at all levels. These standards include meeting both local and international regulatory requirements, implementing best industry practices, and fully complying with the code of conduct in both its letter and spirit.

The Compliance Department is always striving to implement a sound compliance culture and environment through an effective compliance program, which encompasses leadership and an ethical culture, risk assessments, policies, procedures and controls, training and education, monitoring, programs evaluation and remedial actions.

In parallel with the Bank's journey towards its vision, objectives and values, the Compliance Department also strives to achieve the highest standards of quality, apply best practices in all that pertains to identifying non-compliance risks. This includes assisting Senior Management to manage non-compliance risks that the Bank faces in different divisions, providing professional advisory services to business divisions, and spreading awareness concerning Compliance matters and combatting financial crimes as stipulated by SAMA's regulations. The Compliance Department establishes an annual plan, which is approved by the Board's Audit Committee.

Based on the Bank's efforts to promote a compliance culture, and out of the principle "We care We comply", the bank continues its awareness campaigns among all stakeholders on the various topics of compliance including business and work ethics, whistleblowing and combatting financial crimes.

The Compliance Department endeavors at all times to ensure that the Bank continues to meet and exceed regulatory expectations and requirements. To achieve that level of professionalism, Compliance has a team consisting of qualified individuals with the required skill set and knowledge.

The Compliance department assures compliance with all the requirements of relevant laws and regulations by conducting risk assessments and taking steps to rectify the identified gaps. The Bank adheres to international and local regulatory commitments related to combat money laundering, terrorism financing and proliferation of weapons of mass destruction.

Financial crimes pose a major threat and challenge to financial institutions and their staff, and Riyad Bank is fully aware of the graveness of these crimes and their consequences. Accordingly, efforts were focused on the adoption of preventive measures of a strategic nature to support all areas in the Bank and prevent financial crimes, which contributed to a further reduction of such crimes. Riyad Bank is keen on incorporating best international practices, by implementing a strategy to control and monitor suspicious activities, including controls to combat money laundering, terrorist financing and financial fraud. The Bank uses all possible resources including advanced technology by having state-of-the-art systems to monitor financial activities in the Bank to identify any irregularities. Our strategy is reviewed periodically and is updated in response to new emerging risks and banking industry standards. In addition, all financial products, services and channels are subject to analysis and assessments against regulatory requirements.

Riyad Bank's Compliance team continues to aim to stay ahead of the curve and have succeeded in doing so by adopting fit for purpose strategies in supporting all the activities conducted in the Bank. Being independent and having full support of the Board and the Management; handling matters discretely; maintaining the confidentiality; applying rule and principle based policies; taking extra miles in providing support; meeting and exceeding regulatory expectations; and implementing applying the rules and regulations in both its letter and spirit are some of the hallmarks of our strength and we will continue to do so as these attributes facilitate to assist help us to serve all our Stakeholders successfully.

Risk Management

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

Risk Culture

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

Risk Governance

The Board of Directors has an ultimate responsibility for the Bank's strategy, governance, risk management, compliance and financial soundness. The Board of Directors has a designated risk management committee to have continuous oversight on risk management to ensure effective risk governance. The Saudi Central Bank (SAMA) and the Basel Committee have directed that the risk management function should be independent from other banking functions. To put in place an adequate operating structure to consider the risk and control, the Bank has implemented a three 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 this three lines of defense approach, which is also an integral part of an ERMF.

Enterprise Risk Management Framework

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

Risk Appetite Framework

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

In pursuit of its business objectives, 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 risk appetite metrics and qualitative statements are defined in the RAS for different risk types and monitored regularly by relevant oversight risk committees and the Board. 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.

Specific policies have been developed for all types of risks which, taken together, make a holistic system of risk management. The risk profile, risk appetite, and risk exposures are reported regularly to the Board of Directors and Senior Management through various committees and reviewed periodically.

The Bank will keep on investing to bring further maturity to the current risk management processes for all key existing and emerging risks, including but not limited to cyber risk, anti-money laundering, reputational, and conduct risks.

Stress Tests

Riyad Bank applies "Stress Testing" to all types of risks, including all banking activities of the Bank and how they can be impacted by financial and economic changes, the application of governance policies, frameworks and rules. Stress tests are computer simulations to test the resilience of systems. The Bank's stress tests will test the adequacy of the Bank's capital to withstand various hypothetical scenarios. All these tests are run under the supervision of the Board of Directors. In this context, officials in the Risk Management Department monitor stress methodologies along with underlying assumptions to maintain the efficacy of the stress models deployed. Stress tests are set up using a large number of assumptions and scenarios that help Riyad Bank make the assessment and reach a deep understanding of the potential risks to its various assets and portfolios. This enables risks to be hedged by allocating and setting appropriate levels of capital that exceed the levels of sufficiency required by the control and oversight bodies.

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 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.

Riyad Bank operates in accordance with a stringent framework of credit policies, manuals and procedures, which are reviewed regularly, considering latest updates and regulations of SAMA. Credit limits should be set commensurate with the level of risk. Excessive concentration of lending in geographical regions or business sectors should be avoided, in both retail and corporate lending. Existing liabilities too need to be evaluated for potential risks of non-payment and tools have been developed for this.

Riyad Bank's credit rating system conforms to international benchmarks. The Bank, while having its own credit rating system, also incorporates the ratings of external agencies. The process is executed through standardized measurement tools. This provides a comprehensive picture of the Bank asset quality and its distribution on the internal rating table: this in turn enables accurate calculation of the capital adequacy ratio using sophisticated techniques. In addition, it measures the potential for default which is a prerequisite for calculating 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. It is a process of continuous improvement. The Bank initially complied with all Basel requirements in measuring the capital adequacy ratio required to cover credit risk according to the standard method (Standardized Approach), which is one of SAMA's requirements. It then moved to the Internal Credit Risk Assessment Standard (Internal Rating Based/IRB) after successfully upgrading its credit rating models to be in conformance with the requirements of Basel. These models were not simply adopted and used, instead a process of verification was done through a special system to ascertain their validity and completeness. Subsequently several independent periodic tests were carried out to ensure the reliability of the results of the credit rating models and their quantitative and qualitative aspects.

For the results of the capital adequacy ratio to be accurate the results of the risks weighting of the assets need to be accurate. In a parallel process the Bank put in place the basic infrastructure necessary to develop and use models for credit decision making by relying on an accurate measurement of the risks and their likely impact. Simultaneously a review of approved risk policies to demonstrate their compliance with credit rating systems was carried out, while applying the Internal Credit Risk Assessment Standard.

The process of assessing credit risk is also based on accounting standards, which is another area where we need to stay updated. As of the beginning of 2018, Riyad Bank used IFRS 9 as an alternative to IAS 39. Calculating the possibilities of default includes taking both a long-term and a short-term perspective and the credit rating system was further refined to take this into account.

The COVID-19 pandemic with its impact on the macroeconomic scenario, both local and global, created an unprecedented situation in credit risk assessment. The Bank developed a statistical model to help with the calculation of the forward-looking component. The model used varied assumptions and scenarios of forecasted macroeconomic conditions (locally and internationally) and then adjusted the expected credit losses number accordingly. Relative rebound in macroeconomic conditions in 2021has been cautiously considered during several rounds of model validation, but without resulting in the significant reverse of provisions until prolonged stability in macroeconomic conditions is observed.

The process of calculating default credit risk rates was also updated with respect to business rules and controls. The Bank also reviewed the fundamentals of evaluating assets, activity flows and the appropriate governance structure, with appropriate mechanisms, financial and technological, to calculate and approve expected credit losses in accordance with IFRS 9 and the directives of SAMA. These mechanisms have undergone several previous and subsequent quantitative and qualitative tests to verify the new standard to ensure the reliability and accuracy of factors used in calculating the risk of default and credit losses.

The systems and processes referred to above are relevant not only for the corporate sector; they are also relevant for individual financing, including mortgage financing. The Bank also established internal credit evaluation standards pursuant to the frameworks approved by the Board of Directors and in line with the requirements of SAMA. In addition, quantitative models for measuring default and collection rates were used to calculate and approve the expected credit losses in accordance with IFRS 9.

Market Risk and Liquidity

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

Riyad 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 Management 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 firm or a portfolio. Thereby the Bank can monitor the changes and volatility of market prices and the relationship linking these changes to one another as a basic standard for measuring market risks. Moreover, several other advanced standards are used to improve analytical capabilities in managing market risks, including 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.

Financial Crime Risks

In recent years financial crimes have emerged as a serious threat and challenge to financial institutions and their employees. Riyad 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.

Based on these principles, during 2021, the Bank was keen on incorporating the best international practices to execute its strategy to combat and monitor suspicious transactions related to anti-money laundering and capture the flag, including controls designed to combat embezzlement, financial fraud and monitor bank accounts.

The nature of the risks is dynamic and subject to changes in the financial environment, types of crimes, and banking industry technology. Therefore, our strategy is subject to periodic reviews and quick 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 process before they are launched.

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

Maintaining controls on risks of this nature requires constant vigilance. The Bank continues to perform its supervisory role by receiving all incoming reports from employees and customers. These reports are analyzed, examined and evaluated. For noted violations, causes of incidents are identified and appropriate plans to prevent recurrence of such incidents in the future are introduced.

Operational Risk

Operational risks are losses resulting from errors or inefficiencies in the implementation of internal operations, failure to follow policies and procedures, or system malfunctions or losses incurred due to extraordinary external events. These risks arise in all activities undertaken by various business divisions and support functions. They may also arise due to risks from third party service providers. Their identification and analysis are important factors that help monitor and successfully address them. In addition, these risks change when the Bank's systems, policies and procedures change.

Riyad Bank has developed well-knit policies and standards, as well as complementary analytical equations for risk analysis. These risks are effectively monitored through a variety of different methods. The human factor plays a key role here; training the Bank employees on means of detecting risks and setting up appropriate programs to prevent their occurrence is vital in combating operational risk. Also, there is an integrated risk-based approach that is compatible with the Bank's activities and includes:

- Identifying operational risks, including emerging risks, by means of improving various tools to 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 and the Operational Risk Management and Compliance Department on important operational risk cases to obtain guidance on corrective action and approvals as needed.
- Formulating and implementing an annual integrated plan to manage operational risks taking into account the Internal Control Governance Policy and the annual plans of the Bank's supervisory authorities.
- Identifying and sharing leading practices with the Management and competent officers in the Risk Management Department.
- Enhancing awareness and knowledge of risks in the Bank.

Riyad Bank continuously strives to identify operational risks by evaluating the ongoing processes and practices, and ensuring this task is performed more effectively across the Internal Control and Market Risk Division by taking preventive and appropriate measures to manage and control these risks in accordance with the best international practices in order to reduce, avoid and hedge potential losses.

Technology Risk

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

- Define and monitor technology risk measures according to the risk tolerance framework.
- Developing the technology risk register at the Bank's level to be in line with the Bank's risk register in coordination with the relevant sectors/departments.
- Review points of high technology risks with documenting controls and work mechanisms, identifying potential gaps and recommending proposals for improvement and development.
- Submit an annual risk assessment, control testing and annual verification plan.
- Assess high-risk systems and applications in coordination with the concerned departments.
- Submit periodic reports on the performance of business technology risk activities within the framework of risk tolerance to the relevant committees.
- Supervise the review of all relevant technology policies to ensure the application of best practices and compliance with the requirements of SAMA.

Cyber Security and Information Security Risks

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

Riyad Bank manages cyber and information security risks through a comprehensive practical framework via which information security systems governance is applied, 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. In addition, there is direct and complete supervision of all activities from the viewpoint of information security and continuous assessment and monitoring of systems, for the purpose of identifying security risks and taking necessary measures to immediately reduce those risks.

Riyad 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.

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.

Effectiveness of internal controls

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

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

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

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

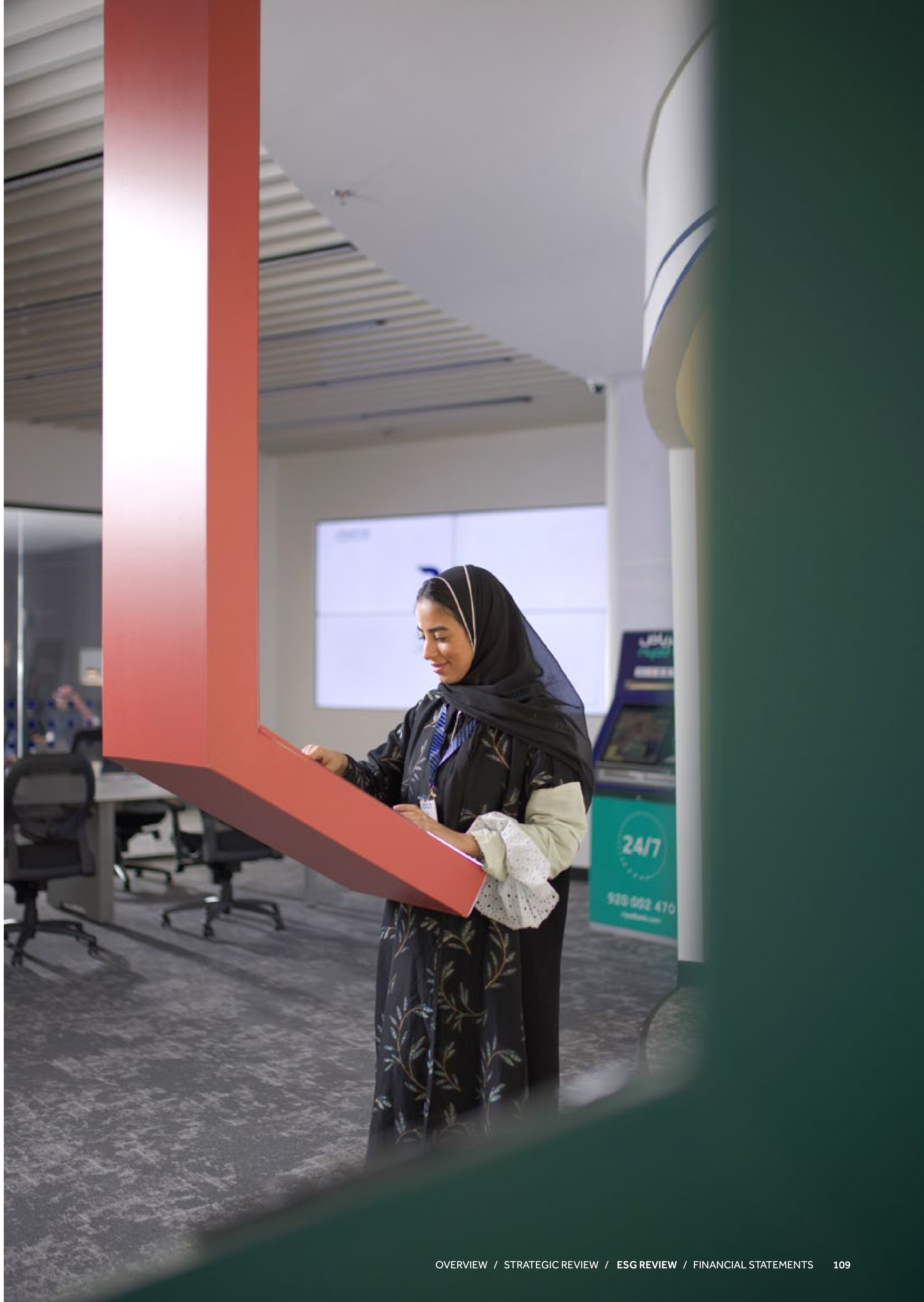
Senior Executive Management and the Audit Committee are regularly updated on the status of the internal control environment and the corrective actions identified to improve its adequacy and effectiveness. They ensure timely implementation of the measures taken to mitigate the identified risks.

Business Technology Governance

Business Technology Governance as a concept has contributed to reducing the risks to information security. Riyad Bank has given utmost importance to providing a secure technical work environment by building a highly penetrable arbitrator.

The Business Technology Governance Department dedicated its efforts to the Bank's strategy of digital transformation by re-designing applications, platforms and e-gates, developing performance indicators to match the strategic transformation of business technology, and supporting the transformation of the digital governance model at Riyad Bank. The most important contributions of the Business Technology Governance Department are:

- Successful execution of DR Live Testing (11-19 November), which is one of the requirements mandated by Saudi Arabian Monetary Authority (SAMA) where all local banks have to perform a LIVE switch over to the Disaster Recovery Site covering all defined and agreed mission-critical and critical systems during the normal Business Days:
  - 42 Applications
  - 19 Security Components
  - Cybersecurity scenario
- Successfully relocating critical business processes to simulate inability to physically access the Bank's workplaces for 22 Critical Functions (Heart of Riyad Premise) on 16 November, as a combined test for the Disaster Recovery and the Business Continuity scenario as per SAMA mandated, - Approaches used:
  - Working Remotely
  - Physical Relocation to BC site (Al-Maseef)
- We have executed 61 departmental tests which includes all the critical departments in the Bank. Departmental recovery testing involves running scenarios where departments need to relocate from their main sites to the secondary site to resume their work in order to ensure the continuity of business in case of any disruption related to any of the primary sites of the Bank.
- Testing Governance and UAT obtained the Bank TMMI Level4 certificate in the Test maturity Model integration on the 2 August, 2021.
- Automating the process of creating/reviewing all types of Technology Operational Documents (policies, Standards and Process) for BT through CLM, also over 70 BT procedures have been created and implemented to govern and control the technology operations.
- Processed 1200+ CRs since the start of the year with emphasis on the implementation of entry and exit criteria; a dedicated security testing stage and the implementation of code reviews as part of the SDLC



04
Financial Statements

Riyad Bank was one of the first banks to implement the financial stimulus initiatives to support the sustainability of micro, small and medium enterprises during the pandemic.

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Riyad Bank (A Saudi Joint Stock Company) (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as 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 professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 2021, the gross loans and advances of the Group were SAR 221.8 billion against which an expected credit loss ("ECL") allowance of SAR 4.5 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. Furthermore, the COVID-19 pandemic continues to pose challenges to businesss thus increasing the levels of judgement needed to determine the ECL under the requirements of IFRS 9 – Financial Instruments ("IFRS 9"). The key areas of judgement include: 1. 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. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the government support programs that resulted in deferral of instalments to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves. 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 counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 3. The need to apply overlays using expert credit judgement to reflect all relevant risk factors especially relating to the ongoing COVID-19 pandemic that might not have been captured by the ECL models. Application of these judgements and estimates, particularly in light of COVID-19 pandemic, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculation as at December 31, 2021. Refer to the summary of significant accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 31.3 (b) for details of credit quality analysis and key assumptions and factors considered in determination of ECL; and note 39 for impact of the COVID-19 pandemic on ECL.	• 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 IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over: - 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 management 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. • 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 in particular, with reference to the continued impacts of the COVID-19 pandemic and also assessed that these were consistent with the ratings used as input in the ECL models; - management's computations for 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. • 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 with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferal of instalments under government support programs based on the SAMA regulation and eligible definition for the effected customers and industry as at December 31, 2021. • 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 the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. • We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2021. • Where required, we involved our specialists 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 overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.
Valuation of derivative financial instruments The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); currency, special commission rate and equity 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. 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. 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. As at December 31, 2021, the positive and negative fair value of derivatives held by the Group amounted to SAR 1.41 billion and SAR 1.46 billion respectively. 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 3l 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.	• 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: - Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; - Assessed the appropriateness of the key inputs to the derivative valuation models; - We involved our specialists to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and - Assessed 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 (continued)

on the Audit of the Consolidated Financial Statements to the Shareholders of
Riyad Bank (A Saudi Joint Stock Company)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other Information included in the Bank's 2021 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. The other information consists of the information included in the Bank's 2021 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 do not and 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report (continued)

on the Audit of the Consolidated Financial Statements to the Shareholders of
Riyad Bank (A Saudi Joint Stock Company)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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, related safeguards.

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers
Mufaddal A. Ali
Certified Public Accountant
License No. 447

For Ernst & Young Professional Services
Waleed G. Tawfiq
Certified Public Accountant
License No. 437

6 Sha'ban 1443H
(9 March 2022)

Consolidated Statement of Financial Position

As at December 31, 2021 and 2020

	Note	2021 SAR'000	2020 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA), net	4	25,587,478	41,954,124
Due from banks and other financial institutions, net	5	17,644,832	13,624,476
Positive fair value of derivatives	6	1,414,515	1,558,957
Investments, net	7	58,637,186	56,449,806
Loans and advances, net	8	217,290,235	191,346,635
Other assets	11	1,492,186	1,702,893
Investment in associates	9	649,720	699,151
Other real estate		313,564	324,054
Property, equipment and right of use assets, net	10	2,706,102	2,427,811
Total assets		325,735,818	310,087,907
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	43,134,140	41,788,903
Negative fair value of derivatives	6	1,460,144	1,640,934
Customer deposits	13	211,678,297	203,039,336
Debt securities in issue	14	8,716,577	5,684,008
Other liabilities	15	13,446,889	13,579,628
Total liabilities		278,436,047	265,732,809
Shareholders' equity			
Share capital	16	30,000,000	30,000,000
Statutory reserve	17	9,187,224	7,680,879
Other reserves	18	1,637,436	1,745,649
Retained earnings		4,855,111	4,928,570
Proposed dividends	26	1,620,000	-
Total shareholders' equity		47,299,771	44,355,098
Total liabilities and shareholders' equity		325,735,818	310,087,907

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the years ended December 31, 2021 and 2020

	Note	2021 SAR'000	2020 SAR'000
Special commission income	20	9,108,106	9,813,394
Special commission expense	20	814,933	1,599,789
Net special commission income		8,293,173	8,213,605
Fee and commission income	21	3,154,791	2,710,220
Fee and commission expense	21	1,037,144	836,665
Fee and commission income, net		2,117,647	1,873,555
Exchange income, net		371,725	412,614
Trading income, net		205,649	218,297
Dividend income		126,969	102,518
Gains on disposal of non-trading investments, net	22	407,521	305,068
Other operating income	23	45,157	79,464
Total operating income, net		11,567,841	11,205,121
Salaries and employee-related expenses	24	2,092,284	1,939,428
Rent and premises-related expenses		194,072	177,716
Depreciation of property, equipment and right of use assets	10	493,193	488,344
Other general and administrative expenses		1,132,413	974,969
Other operating expenses		52,637	54,100
Total operating expenses before impairment charges		3,964,599	3,634,557
Impairment charge for credit losses and other financial assets, net	8 e)	850,757	2,061,743
Impairment charge for investments, net		1,927	44,192
Total operating expenses, net		4,817,283	5,740,492
Net operating income		6,750,558	5,464,629
Share in (losses) earnings of associates, net		(32,498)	19,368
Income before zakat		6,718,060	5,483,997
Zakat	27	692,681	769,000
Net income		6,025,379	4,714,997
Basic and diluted earnings per share (in SAR)	25	2.01	1.57

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2021 and 2020

	2021 SAR'000	2020 SAR'000
Net income for the year	**6,025,379**	4,714,997
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 (note 18)	**(386,843)**	656,713
- Net amounts transferred to consolidated statement of income (note 18)	**(311,311)**	(131,379)
- Net changes in allowance for expected credit losses (ECL) of debt instruments (note 18)	**12,389**	42,541
- Effective portion of net change in fair value of cash flow hedge	**(25,036)**	3,401
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial gains (losses) on defined benefit plans (note 28 b)	**73,715**	(60,134)
- Net change in fair value of FVOCI- equity instruments (note 18)	**556,380**	207,497
Other comprehensive (loss) income	**(80,706)**	718,639
Total comprehensive income	**5,944,673**	5,433,636

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the years ended December 31, 2021 and 2020

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
December 31, 2021						
Balance at the beginning of the year	**30,000,000**	**7,680,879**	**1,745,649**	**4,928,570**	**-**	**44,355,098**
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	-	-	**556,380**	-	-	**556,380**
- FVOCI -debt instruments	-	-	**(386,843)**	-	-	**(386,843)**
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	**(311,311)**	-	-	**(311,311)**
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	**12,389**	-	-	**12,389**
Actuarial gains (Note 28 (b))	-	-	**73,715**	-	-	**73,715**
Net change in fair value of cash flow hedge	-	-	**(25,036)**	-	-	**(25,036)**
Net income for the year	-	-	-	**6,025,379**	-	**6,025,379**
Total comprehensive income	-	-	**(80,706)**	**6,025,379**	-	**5,944,673**
Disposal of FVOCI-equity instruments (note 7 (c))	-	-	**(27,507)**	**27,507**	-	-
Final proposed dividends - 2020 (note 26)	-	-	-	**(1,500,000)**	**1,500,000**	-
Final dividends declared - 2020 (note 26)	-	-	-	-	**(1,500,000)**	**(1,500,000)**
Interim dividend - 2021 (note 26)	-	-	-	**(1,500,000)**	-	**(1,500,000)**
Transfer to statutory reserve (note 17)	-	**1,506,345**	-	**(1,506,345)**	-	-
Final proposed dividend - 2021 (note 26)	-	-	-	**(1,620,000)**	**1,620,000**	-
Balance at the end of the year	**30,000,000**	**9,187,224**	**1,637,436**	**4,855,111**	**1,620,000**	**47,299,771**
December 31, 2020						
Balance at the beginning of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	-	-	207,497	-	-	207,497
- FVOCI -debt instruments	-	-	656,713	-	-	656,713
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(131,379)	-	-	(131,379)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	42,541	-	-	42,541
Actuarial losses (Note 28 (b))	-	-	(60,134)	-	-	(60,134)
Net change in fair value of cash flow hedge	-	-	3,401	-	-	3,401
Net income for the year	-	-	-	4,714,997	-	4,714,997
Total comprehensive income	-	-	718,639	4,714,997	-	5,433,636
Disposal of FVOCI-equity instruments (note 7 (c))	-	-	(98)	98	-	-
Final dividend - 2019	-	-	-	-	(1,650,000)	(1,650,000)
Transfer to statutory reserve (note 17)	-	1,178,749	-	(1,178,749)	-	-
Balance at the end of the year	30,000,000	7,680,879	1,745,649	4,928,570	-	44,355,098

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020

	Note	2021 SAR'000	2020 SAR'000
OPERATING ACTIVITIES			
Income for the year before zakat		6,718,060	5,483,997
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-fair value through income statement(FVIS) instruments, net		(23,575)	(89,884)
Gains on non-trading investments, net		(407,521)	(305,068)
Gains on trading investments, net		(8,378)	(30,251)
Dividend income		(126,969)	(102,518)
(Gains) loss on sale of property and equipment, net		(359)	68
Depreciation of property, equipment and right of use assets	10	493,193	488,344
Share in losses (earnings) of associates, net		32,498	(19,368)
Impairment charge for investments, net		1,927	44,192
Impairment charge for credit losses and other financial assets, net	8 e)	850,757	2,061,743
		7,529,633	7,531,255
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		81,619	(782,994)
Due from banks and other financial institutions maturing after three months from date of acquisition		(291,000)	616,000
Positive fair value of derivatives		144,442	(950,110)
Investments held at FVIS		90,085	(43,706)
Loans and advances, net		(26,804,454)	(19,351,710)
Other real estate		10,490	(90,997)
Other assets		345,311	(908,685)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,345,237	28,664,423
Negative fair value of derivatives		(180,790)	991,708
Customer deposits		8,638,961	8,521,437
Principal and interest on lease liabilities		(212,618)	(184,091)
Other liabilities		437,361	760,553
		(8,865,723)	24,773,083
Zakat paid	27	(1,160,444)	(1,117,728)
Net cash (used in) from operating activities		(10,026,167)	23,655,355
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		97,500,947	59,737,569
Purchase of investments not held as FVIS instruments		(99,351,383)	(61,496,852)
Purchase of property and equipment, net		(607,495)	(442,098)
Proceeds from disposals of property and equipment, net		6,965	11,562
Advance against purchase of property and equipment		(125,000)	-
Net cash used in investing activities		(2,575,966)	(2,189,819)
FINANCING ACTIVITIES			
Issuance of sukuks	14	3,032,569	5,680,979
Repayment of sukuks	14	-	(4,000,000)
Dividend paid		(2,988,871)	(1,654,811)
Net cash from financing activities		43,698	26,168
Net (decrease) increase in cash and cash equivalents		(12,558,435)	21,491,704
Cash and cash equivalents at beginning of the year		44,965,121	23,473,417
Cash and cash equivalents at end of the year	29	32,406,686	44,965,121
Special commission received		8,915,549	9,513,410
Special commission paid		928,543	1,714,624
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		(166,810)	736,232
ROU assets		(110,328)	(235,303)
Lease liabilities		(5,517)	142,292

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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 340 (2020: 341) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 6,620 as at December 31, 2021 (2020: 6,147 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 Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group")

a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), incorporated in the Kingdom of Saudi Arabia;

b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities), incorporated in the Kingdom of Saudi Arabia;

c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia;

d) Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia;

e) Curzon Street Properties Limited incorporated in the Isle of Man; and

f) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group as at and for the years ended December 31, 2021 and 2020, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

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. 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 as endorsed in the Kingdom of Saudi Arabia 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.

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. The impact of the COVID- 19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

i) Expected credit losses (ECL) on financial assets

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

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

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

ii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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.

iii) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

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

iv) Defined benefit scheme

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

v) Fee income

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

vi) Government Grant

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2021 replacing, amending, or adding to the corresponding accounting policies set out in 2020 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

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

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted (refer note 40). Effective for annual periods beginning on or after January 1, 2021.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective for annual periods beginning on or after June 1, 2020.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The Group has opted, not to early adopt these pronouncements and they do not expect the adoption to have a significant impact on the consolidated financial statements of the Group.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective for annual periods beginning on or after April 1, 2021.

Notes to the Consolidated Financial Statements (continued)
For the years ended December 31, 2021 and 2020

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. Effective for annual periods beginning on or after January 1, 2022.

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 noncurrent, 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. Deferred until accounting periods starting not earlier than January 1, 2024.

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. Effective for annual periods beginning on or after 1 January 2023.

Amendment to IAS 12- Deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductable temporary differences. Effective for annual periods beginning on or after 1 January 2023.

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. Effective for annual periods beginning on or after January 1, 2023.

A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts

The amendment relates to insurers' transition to the new Standard only–it does not affect any other requirements in IFRS 17.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. Effective for annual periods beginning on or after January 1, 2023.

3.2 Accounting Policies

a) Classification of financial assets

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

i) Financial Asset at amortised cost (AC)

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

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

ii) Financial Asset at FVOCI

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

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

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

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

iii) Financial Asset at FVIS

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

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

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

b) Classification of financial liabilities

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

c) Derecognition

i) Financial assets

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

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

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

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

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.

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Interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

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.

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Measurement of ECL

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

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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.

Write-off

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

Credit cards and other revolving facilities

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

f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

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

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

g) Government grant

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

h) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

Measurement of amortized cost and special commission income

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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Fee and commission income

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

Others

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

Rendering of services

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

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 Riyad 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.

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Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Investment funds

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

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

l) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

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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.

(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.

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m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non- monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

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

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

p) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

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q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

r) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

s) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

t) Accounting for leases - Right of Use Asset / Lease Liabilities

On initial recognition, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right of Use Assets

The Group measures right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Notes to the Consolidated Financial Statements (continued)

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Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

u) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

v) End of service benefits

The provision for employees' end of service benefits is accrued using actuarial valuation according to the regulations of Saudi Labor Law and local regulatory requirements.

w) Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax is recognized in the statement of income.

Value Added tax ("VAT")

The Group is also subject to VAT in accordance with the regulations of the ZATCA, and collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

Notes to the Consolidated Financial Statements (continued)

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x) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

y) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

ii) Ijarah is 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.

z) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

aa) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

	2021 SAR'000	2020 SAR'000
Cash in hand	4,240,485	5,136,666
Statutory deposit	10,328,075	10,409,694
Placements with SAMA	10,973,837	26,323,268
Other balances	45,081	84,496
Total	25,587,478	41,954,124

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 demand, savings, time and other deposits, calculated on average balance. The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents (note 29).

The allowance for expected credit losses (ECLs), in respect of the above, was marginal as on December 31, 2021 and 2020. The ECL allowance relate to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2021 SAR'000	2020 SAR'000
Current accounts	5,149,260	6,250,817
Money market placements	12,498,013	7,378,873
Less: allowance for ECL	(2,441)	(5,214)
Total	17,644,832	13,624,476

Money market placements include margin deposits amounting to SAR 1,575 million (2020: SAR 2,326 million).

The allowance for expected credit losses (ECLs) in respect of the above, amounted to SAR 2.4 million as on December 31, 2021 (December 31, 2020: SAR 5.2 million). The ECL allowance relates to stage 1 exposures.

An analysis of changes in loss allowance is as follows:

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	5,214	-	-	5,214
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements	(2,773)	-	-	(2,773)
Balance as at December 31, 2021	2,441	-	-	2,441

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	540	-	-	540
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements	4,674	-	-	4,674
Balance as at December 31, 2020	5,214	-	-	5,214

6. DERIVATIVES

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

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal. For currency swaps, principal, fixed and floating commission payments are exchanged in different currencies.

Notes to the Consolidated Financial Statements (continued)

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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)

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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.

2021 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	1,291,830	(1,176,314)	60,865,983	6,607,823	15,133,246	27,280,754	11,844,160	46,946,957
Forward foreign exchange contracts	96,035	(92,017)	24,057,318	18,962,292	3,729,735	1,365,291	-	23,987,117
Currency options	191	(191)	113,149	113,149	-	-	-	40,405
Held as fair value hedges:								
Special commission rate swaps	26,459	(169,987)	5,283,720	296,855	1,019,645	2,792,732	1,174,488	5,283,720
Held as cash flow hedges:								
Special commission rate swaps	-	(21,635)	1,375,000	72,857	222,619	1,079,524	-	1,375,000
Total	1,414,515	(1,460,144)	91,695,170	26,052,976	20,105,245	32,518,301	13,018,648	77,633,199

2020 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	1,436,648	(1,210,717)	46,191,559	5,085,964	10,848,551	23,274,519	6,982,525	42,700,791
Forward foreign exchange contracts	118,908	(78,021)	24,759,998	17,863,337	4,687,415	2,209,246	-	26,879,235
Held as fair value hedges:								
Special commission rate swaps	-	(352,196)	3,253,728	189,196	578,098	2,105,159	381,275	3,253,728
Held as cash flow hedges:								
Special commission rate swaps	3,401	-	925,000	40,317	123,192	654,036	107,455	925,000
Total	1,558,957	(1,640,934)	75,130,285	23,178,814	16,237,256	28,242,960	7,471,255	73,758,754

Derivatives include non-conventional banking products of SAR 7.66 billion as at December 31, 2021 (December 31, 2020: SAR 7.24 billion)

Notes to the Consolidated Financial Statements (continued)

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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, 2021 and 2020, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2021 SAR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	12,694	25,387	21,003	-
Total	12,694	25,387	21,003	-

2020 SAR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	8,048	16,095	16,095	5,299
Total	8,048	16,095	16,095	5,299

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, 2021 and 2020.

2021 SAR '000	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate investments	5,201,065	5,092,681	Fair value	Special commission rate swaps	26,459	(134,844)
Fixed rate loans	834,877	799,734	Fair value	Special commission rate swaps	-	(35,143)
Floating rate notes	1,375,000	1,375,000	Cash flow	Special commission rate swaps	-	(21,635)

2020 SAR '000	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate investments and loans	3,792,738	3,440,775	Fair value	Special commission rate swaps	-	(352,196)
Floating rate notes	925,000	925,000	Cash flow	Special commission rate swaps	3,401	-

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The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed with financial counterparties. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the financial counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC interest rate derivatives contracts for G4 currencies are cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of initial and variation margins to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

a) Investments by type of securities

i) Investment at FVIS

	Domestic		International		Total	
SAR'000	2021	2020	2021	2020	2021	2020
Mutual funds	1,176,774	1,101,133	-	-	1,176,774	1,101,133
Total	1,176,774	1,101,133	-	-	1,176,774	1,101,133

ii) Investment at amortised cost, net

	Domestic		International		Total	
SAR'000	2021	2020	2021	2020	2021	2020
Fixed rate securities	28,866,331	24,925,136	699,258	935,799	29,565,589	25,860,935
Floating rate securities	6,354,823	7,178,921	-	250,219	6,354,823	7,429,140
Total	35,221,154	32,104,057	699,258	1,186,018	35,920,412	33,290,075

iii) Investments at FVOCI

	Domestic		International		Total	
SAR'000	2021	2020	2021	2020	2021	2020
Fixed rate securities	-	-	17,466,355	18,539,730	17,466,355	18,539,730
Floating rate securities	-	-	-	-	-	-
Equities	3,316,559	2,846,303	757,086	672,565	4,073,645	3,518,868
Total	3,316,559	2,846,303	18,223,441	19,212,295	21,540,000	22,058,598
Investments, net	39,714,487	36,051,493	18,922,699	20,398,313	58,637,186	56,449,806

Above investments include sukuks amounting to SAR 18.16 billion (2020: SAR 16.68 billion).

International investments above includes investment portfolios of SAR 2.0 billion (2020: SAR 2.0 billion) which are externally managed.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

b) An analysis of changes in loss allowance is as follows:

Debt instruments carried at amortised cost (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	16,073	-	-	16,073
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	(1,312)	1,312	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements*	(12,593)	2,137	-	(10,456)
Balance as at December 31, 2021	2,168	3,449	-	5,617

Debt instruments carried at amortised cost (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	13,360	-	-	13,360
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements*	2,713	-	-	2,713
Balance as at December 31, 2020	16,073	-	-	16,073

Debt instruments carried at FVOCI (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	52,554	24,346	23,448	100,348
Transfer to 12-month ECL	12,180	(5,338)	(6,842)	-
Transfer to lifetime ECL - not credit impaired	(10,771)	10,771	-	-
Transfer to lifetime ECL - credit impaired	(51)	(631)	682	-
Net other movements*	(15,814)	6,554	21,649	12,389
Balance as at December 31, 2021	38,098	35,702	38,937	112,737

Debt instruments carried at FVOCI (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	43,199	14,594	14	57,807
Transfer to 12-month ECL	8,535	(8,535)	-	-
Transfer to lifetime ECL - not credit impaired	(1,204)	1,218	(14)	-
Transfer to lifetime ECL - credit impaired	(107)	(111)	218	-
Net other movements*	2,131	17,180	23,230	42,541
Balance as at December 31, 2020	52,554	24,346	23,448	100,348

* Includes remeasurement

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

c) Equity investment securities designated as 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, 2021 SAR'000	Fair value as at December 31, 2020 SAR'000	Dividend income recognised during 2021 SAR'000	Dividend income recognised during 2020 SAR'000
Saudi (Tadawul listed) equities	2,931,818	2,478,120	120,011	96,385
Other Saudi equities	384,741	368,183	-	700
Foreign equities	757,086	672,565	58	122
Total	4,073,645	3,518,868	120,069	97,207

During 2021, the Group sold shares in its Saudi (Tadawul listed) equities having a fair value of SAR 26.7 million (SAR 0.06 million during 2020) and the gain amounting to SAR 27.5 million (2020: gain of SAR 0.098 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio to enhance value.

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

i) Investment at FVIS

	2021			2020		
SAR'000	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Mutual funds	1,176,774	-	1,176,774	1,101,133	-	1,101,133
Total	1,176,774	-	1,176,774	1,101,133	-	1,101,133

ii) Investment at amortised cost, net

	2021			2020		
SAR'000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	11,180,726	18,384,863	29,565,589	3,739,287	22,121,648	25,860,935
Floating rate securities	842,415	5,512,408	6,354,823	1,299,995	6,129,145	7,429,140
Total	12,023,141	23,897,271	35,920,412	5,039,282	28,250,793	33,290,075

iii) Investments at FVOCI

	2021			2020		
SAR'000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	17,466,355	-	17,466,355	18,360,964	178,766	18,539,730
Floating rate securities	-	-	-	-	-	-
Equities	3,536,111	537,534	4,073,645	3,064,158	454,710	3,518,868
Total	21,002,466	537,534	21,540,000	21,425,122	633,476	22,058,598

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 22.8 billion (2020: SAR 26.7 billion)

Notes to the Consolidated Financial Statements (continued)

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

	2021 SAR'000	2020 SAR'000
Government and quasi Government	34,249,966	31,277,846
Corporate	15,121,503	15,604,427
Banks and other financial institutions	9,265,717	9,567,533
Total	58,637,186	56,449,806

Investments include SAR 9,307 million (2020: SAR 13,125 million), which have been pledged under repurchase agreements with customers (note 19 d)). The market value of such investments is SAR 9,715 million (2020: SAR 14,195 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2021 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	5,277,415	823,626	75,604,907	135,611,522	831,957	218,149,427
Non-performing loans and advances	344,293	29,989	872,493	2,407,175	1,015	3,654,965
Total loans and advances	5,621,708	853,615	76,477,400	138,018,697	832,972	221,804,392
Allowance for impairment/ ECL	(201,286)	(25,479)	(825,289)	(3,460,949)	(1,154)	(4,514,157)
Total	5,420,422	828,136	75,652,111	134,557,748	831,818	217,290,235

2020 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	6,432,126	679,634	63,426,847	121,300,756	389,349	192,228,712
Non-performing loans and advances	327,012	30,482	1,105,749	2,186,669	2,024	3,651,936
Total loans and advances	6,759,138	710,116	64,532,596	123,487,425	391,373	195,880,648
Allowance for impairment/ ECL	(217,061)	(29,830)	(998,568)	(3,287,425)	(1,129)	(4,534,013)
Total	6,542,077	680,286	63,534,028	120,200,000	390,244	191,346,635

Loans and advances, net, include non-conventional banking products of SAR 146.0 billion (2020: SAR 122.9 billion). As at December 2021, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 102.7 billion (2020: SAR 85.2 billion), Ijarah amounting to SAR 21.7 billion (2020: SAR 21.1 billion) and Murabaha amounting to SAR 23.4 billion (2020: SAR 19.4 billion) and the expected credit loss allowance on the portfolio was SAR 3.2 billion (2020: SAR 3.1 billion). During 2021, the special commission income on the portfolio amounted to SAR 5.9 billion (2020: SAR 5.3 billion).

* Includes consumer mortgage loans

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	1,026,381	945,452	2,562,180	4,534,013
Transfer to 12-month ECL	161,497	(35,360)	(126,137)	-
Transfer to lifetime ECL - not credit impaired	(6,320)	41,526	(35,206)	-
Transfer to lifetime ECL - credit impaired	(2,542)	(16,154)	18,696	-
Net re-measurement of loss allowance**	(550,072)	536,608	(6,392)	(19,856)
Balance as at December 31, 2021	628,944	1,472,072	2,413,141	4,514,157

ECL on total loans and advances (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	449,757	509,208	1,796,901	2,755,866
Transfer to 12-month ECL	122,508	(38,824)	(83,684)	-
Transfer to lifetime ECL - not credit impaired	(14,478)	74,053	(59,575)	-
Transfer to lifetime ECL - credit impaired	(6,530)	(287,976)	294,506	-
Net re-measurement of loss allowance**	475,124	688,991	614,032	1,778,147
Balance as at December 31, 2020	1,026,381	945,452	2,562,180	4,534,013

** Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts and others).

ECL on credit cards (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	5,758	2,595	21,477	29,830
Transfer to 12-month ECL	8,202	(1,012)	(7,190)	-
Transfer to lifetime ECL - not credit Impaired	(153)	1,653	(1,500)	-
Transfer to lifetime ECL - credit Impaired	(96)	(184)	280	-
Net re-measurement of loss allowance including charge-offs	(6,458)	1,595	512	(4,351)
Balance as at December 31, 2021	7,253	4,647	13,579	25,479

ECL on credit cards (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	8,282	3,511	26,178	37,971
Transfer to 12-month ECL	5,969	(478)	(5,491)	-
Transfer to lifetime ECL - not credit Impaired	(408)	4,604	(4,196)	-
Transfer to lifetime ECL - credit Impaired	(316)	(1,745)	2,061	-
Net re-measurement of loss allowance including charge-offs	(7,769)	(3,297)	2,925	(8,141)
Balance as at December 31, 2020	5,758	2,595	21,477	29,830

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

ECL on consumer loans*(SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	313,834	72,984	611,750	998,568
Transfer to 12-month ECL	145,777	(26,831)	(118,946)	-
Transfer to lifetime ECL - not credit Impaired	(2,262)	35,968	(33,706)	-
Transfer to lifetime ECL - credit Impaired	(1,150)	(9,541)	10,691	-
Net re-measurement of loss allowance including charge-offs	(205,437)	34,493	(2,335)	(173,279)
Balance as at December 31, 2021	250,762	107,073	467,454	825,289

ECL on consumer loans*(SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	217,994	93,334	626,196	937,524
Transfer to 12-month ECL	111,770	(35,663)	(76,107)	-
Transfer to lifetime ECL - not credit Impaired	(2,897)	57,507	(54,610)	-
Transfer to lifetime ECL - credit Impaired	(2,338)	(19,237)	21,575	-
Net re-measurement of loss allowance including charge-offs	(10,695)	(22,957)	94,696	61,044
Balance as at December 31, 2020	313,834	72,984	611,750	998,568

* Includes consumer mortgage loans

ECL on Commercial loans** (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	706,789	869,873	1,928,953	3,505,615
Transfer to 12-month ECL	7,518	(7,517)	(1)	-
Transfer to lifetime ECL - not credit Impaired	(3,905)	3,905	-	-
Transfer to lifetime ECL - credit Impaired	(1,296)	(6,429)	7,725	-
Net re-measurement of loss allowance	(338,177)	500,520	678,604	840,947
Write-offs	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	370,929	1,360,352	1,932,108	3,663,389

ECL on Commercial loans** (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	223,481	412,363	1,144,527	1,780,371
Transfer to 12-month ECL	4,769	(2,683)	(2,086)	-
Transfer to lifetime ECL - not credit Impaired	(11,173)	11,942	(769)	-
Transfer to lifetime ECL - credit Impaired	(3,876)	(266,994)	270,870	-
Net re-measurement of loss allowance	493,588	715,245	1,057,960	2,266,793
Write-offs	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	706,789	869,873	1,928,953	3,505,615

** Includes overdrafts and others

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

Total loans and advances (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	176,593,045	14,916,155	4,371,448	195,880,648
Transfer to 12-month ECL	2,394,485	(2,083,500)	(310,985)	-
Transfer to lifetime ECL - not credit impaired	(2,342,307)	2,431,610	(89,303)	-
Transfer to lifetime ECL - credit impaired	(484,501)	(274,044)	758,545	-
Net other movements*	27,898,111	(1,548,777)	257,583	26,606,917
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	204,058,833	13,441,444	4,304,115	221,804,392

Total loans and advances (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	168,470,276	4,978,882	3,288,707	176,737,865
Transfer to 12-month ECL	1,411,286	(1,221,777)	(189,509)	-
Transfer to lifetime ECL - not credit impaired	(6,520,500)	6,648,942	(128,442)	-
Transfer to lifetime ECL - credit impaired	(874,609)	(1,034,156)	1,908,765	-
Net other movements*	14,106,592	5,544,264	33,476	19,684,332
Write-off	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	176,593,045	14,916,155	4,371,448	195,880,648

Credit cards (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	626,115	53,519	30,482	710,116
Transfer to 12-month ECL	3,586	(2,824)	(762)	-
Transfer to lifetime ECL - not credit impaired	(2,450)	2,679	(229)	-
Transfer to lifetime ECL - credit impaired	(1,038)	(173)	1,211	-
Net other movements*	150,963	(6,751)	(713)	143,499
Balance as at December 31, 2021	777,176	46,450	29,989	853,615

ECL on Credit cards (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	714,841	51,215	32,428	798,484
Transfer to 12-month ECL	23,086	(17,444)	(5,642)	-
Transfer to lifetime ECL - not credit impaired	(38,517)	44,062	(5,545)	-
Transfer to lifetime ECL - credit impaired	(27,447)	(18,658)	46,105	-
Net other movements*	(45,848)	(5,656)	(36,864)	(88,368)
Balance as at December 31, 2020	626,115	53,519	30,482	710,116

*Includes new loans generated, loans repaid, charge offs and other re-measurements.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

Consumer loans* (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	61,917,840	1,509,007	1,105,749	64,532,596
Transfer to 12-month ECL	1,160,790	(850,570)	(310,220)	-
Transfer to lifetime ECL - not credit impaired	(570,964)	660,038	(89,074)	-
Transfer to lifetime ECL - credit impaired	(271,737)	(114,350)	386,087	-
Net other movements***	12,212,063	(47,210)	(220,049)	11,944,804
Balance as at December 31, 2021	74,447,992	1,156,915	872,493	76,477,400

Consumer loans* (SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	53,660,065	1,546,415	1,123,025	56,329,505
Transfer to 12-month ECL	868,199	(688,891)	(179,308)	-
Transfer to lifetime ECL - not credit impaired	(881,820)	1,002,387	(120,567)	-
Transfer to lifetime ECL - credit impaired	(373,975)	(216,452)	590,427	-
Net other movements***	8,645,371	(134,452)	(307,828)	8,203,091
Balance as at December 31, 2020	61,917,840	1,509,007	1,105,749	64,532,596

Commercial loans**(SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	114,049,090	13,353,629	3,235,217	130,637,936
Transfer to 12-month ECL	1,230,109	(1,230,106)	(3)	-
Transfer to lifetime ECL - not credit Impaired	(1,768,893)	1,768,893	-	-
Transfer to lifetime ECL - credit Impaired	(211,726)	(159,521)	371,247	-
Net other movements***	15,535,085	(1,494,816)	478,345	14,518,614
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	128,833,665	12,238,079	3,401,633	144,473,377

Commercial loans**(SAR'000)	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	114,095,370	3,381,252	2,133,254	119,609,876
Transfer to 12-month ECL	520,001	(515,442)	(4,559)	-
Transfer to lifetime ECL - not credit Impaired	(5,600,163)	5,602,493	(2,330)	-
Transfer to lifetime ECL - credit Impaired	(473,187)	(799,046)	1,272,233	-
Net other movements***	5,507,069	5,684,372	378,168	11,569,609
Write-off	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	114,049,090	13,353,629	3,235,217	130,637,936

* Includes consumer mortgage loans
** Includes overdrafts and others
*** Includes new loans generated, loans repaid, charge offs and other re-measurements.

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

	2021 SAR'000	2020 SAR'000
Charge for the year, net*	1,217,921	2,450,765
Recovery of written off loans and advances, net	(357,067)	(463,691)
Allowance for impairment, net	860,854	1,987,074

* Includes net charge offs

e) Impairment charges for credit losses and other provisions, net as reflected in the statement of income are detailed as follows:

	2021 SAR'000	2020 SAR'000
Impairment charge for credit losses, net	860,854	1,987,074
Impairment (reversal)/ charge for other financial assets, net	(10,097)	74,669
Total	850,757	2,061,743

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% (2020: 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, 2021 the total assets, liabilities and shareholders' equity amounted to SAR 1,767 million (September 30,2020: SAR 1,642 million), SAR 967 million (September 30,2020: SAR 777 million) and SAR 800 million (September 30,2020: SAR 865 million) respectively.

b) 21.4 % (2020: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain, engaged in insurance and re-insurance business and

c) 30.6% (2020: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re- insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

Notes to the Consolidated Financial Statements (continued)
For the years ended December 31, 2021 and 2020

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

SAR'000	Land and buildings	Right of Use assets	Improve-ments and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
Cost						
Balance as at January 1, 2020	1,451,928	607,637	995,882	534,129	3,065,467	6,655,043
Additions	-	353,891	74,450	35,744	331,904	795,989
Disposals	(16,724)	(118,588)	(899)	(3,280)	(102,638)	(242,129)
Balance as at December 31, 2020	1,435,204	842,940	1,069,433	566,593	3,294,733	7,208,903
Additions	48,258	227,495	63,381	56,210	439,646	834,990
Disposals	(8,949)	(117,167)	(12,832)	(1,110)	(250)	(140,308)
Balance at December 31, 2021	1,474,513	953,268	1,119,982	621,693	3,734,129	7,903,585
Accumulated depreciation and amortisation						
Balance as at January 1, 2020	576,277	130,836	871,695	451,726	2,422,584	4,453,118
Charge for the year	21,132	181,041	44,827	24,836	216,508	488,344
Disposals	(5,332)	(48,459)	(899)	(3,044)	(102,636)	(160,370)
Balance as at December 31, 2020	592,077	263,418	915,623	473,518	2,536,456	4,781,092
Additions	21,019	186,260	45,077	33,071	207,766	493,193
Disposals	(2,436)	(60,267)	(12,828)	(1,036)	(235)	(76,802)
Balance at December 31, 2021	610,660	389,411	947,872	505,553	2,743,987	5,197,483
Net book value						
As at January 1, 2020	875,651	476,801	124,187	82,403	642,883	2,201,925
As at December 31, 2020	843,127	579,522	153,810	93,075	758,277	2,427,811
As at December 31, 2021	863,853	563,857	172,110	116,140	990,142	2,706,102

Land and buildings and Improvements and decoration of premises include work in progress amounting to SAR 4.5 million as at December 31, 2021 (2020: nil) and SAR 18.3 million as at December 31, 2021 (2020: SAR 13.5 million), respectively. Disposals include cancelled or closed lease contracts.

11. OTHER ASSETS

	2021 SAR'000	2020 SAR'000
Accounts receivable	476,827	427,104
Others*	1,015,359	1,275,789
Total	1,492,186	1,702,893

* Mainly include prepayments and sundry debtors,settlement accounts and items in transit amounting to SAR 856.1 million (2020: SAR 1,205.8 million), which are cleared in the normal course of business.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 SAR'000	2020 SAR'000
Current accounts	1,062,616	969,252
Money market deposits	42,071,524	40,819,651
Total	43,134,140	41,788,903

Money market deposits include deposits against sales of fixed rate bonds of SAR 9,407 million (2020: SAR 12,971 million) with agreement to repurchase the same at fixed future dates (note 19 d)). The profit free deposits from SAMA as under various COVID-19 support programs amounting to SAR 19.9 billion(2020: SAR 26 billion) (note 39) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 348 million (2020: SAR 854 million).

13. CUSTOMER DEPOSITS

	2021 SAR'000	2020 SAR'000
Demand	116,255,002	116,760,934
Saving	1,348,523	1,054,476
Time	75,032,396	67,075,543
Others	19,042,376	18,148,383
Total	211,678,297	203,039,336

Time deposits include non-conventional banking deposits of SAR 31,252 million (2020: SAR 25,992 million). Demand deposits also include non-conventional call deposits of SAR 1,294 million (2020: 1,927 million). The special commission expense on the non-conventional deposits for 2021 amounted to SAR 150.2 million (2020: SAR 300.6 million). Other customers' deposits include SAR 3,522 million (2020: SAR 3,161 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2021 SAR'000	2020 SAR'000
Demand	3,854,630	14,237,775
Saving	39,047	38,005
Time	24,111,758	21,368,898
Other	1,917,490	792,892
Total	29,922,925	36,437,570

Notes to the Consolidated Financial Statements (continued)

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14. DEBT SECURITIES IN ISSUE

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible Sukuk amounting to SAR 3 billion. The Sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

Earlier in 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. During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015 (due 2025). This settlement has been done in line with the early settlement option to repay the Sukuk after 5 years from its issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

The table below sets out movement in debt securities in issue for each of the years presented:

	2021 SAR'000	2020 SAR'000
Opening balance	5,684,008	4,003,029
Cash flow items		
- Issuance of sukuks	3,000,000	5,627,400
- Repayment of sukuks	-	(4,000,000)
Other movements	32,569	53,579
Closing balance	8,716,577	5,684,008

15. OTHER LIABILITIES

	2021 SAR'000	2020 SAR'000
Accounts payable	828,737	660,392
Others*	12,618,152	12,919,236
Total	13,446,889	13,579,628

* Mainly include

a) provision for zakat and tax of SAR 1,714 million (2020: SAR 2,182 million)

b) end of service benefits of SAR 998 million (2020 : SAR 1,029 million) based on actuarial calculations (note 28 b))

c) lease liability of SAR 538 million (2020: SAR 544 million)

d) deferred fair value gain on Government grant (note 39) of SAR 263 million (2020: SAR 717 million)

e) Loss allowance for credit related commitments and contingencies SAR 256 million (2020: SAR 285 million)

f) Write-off reserves of SAR 558 million (2020: SAR 577 million)

and 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 (2020: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 1,506 million has been transferred from 2021 net income (2020: SAR 1,179 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES

2021 (SAR'000s)	Cash flow hedge	Remea-surement of deferred	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	3,401	(208,068)	986,888	963,428	1,745,649
Net change in fair value	(25,036)	-	(386,843)	556,380	144,501
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(311,311)	-	(311,311)
Net ECL movement during the year	-	-	12,389	-	12,389
Actuarial gains (losses)	-	73,715	-	-	73,715
Net disposals during the year	-	-	-	(27,507)	(27,507)
Balance at end of the year	(21,635)	(134,353)	301,123	1,492,301	1,637,436

2020 (SAR'000s)	Cash flow hedge	Remea-surement of deferred	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	-	(147,934)	419,013	756,029	1,027,108
Net change in fair value	3,401	-	656,713	207,497	867,611
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(131,379)	-	(131,379)
Net ECL movement during the year	-	-	42,541	-	42,541
Actuarial gains (losses)	-	(60,134)	-	-	(60,134)
Net disposals during the year	-	-	-	(98)	(98)
Balance at end of the year	3,401	(208,068)	986,888	963,428	1,745,649

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2021, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2021 the Bank had capital commitments of SAR 1,587.9 million (2020: SAR 317.6 million). This includes office building, computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	6,255,541	2,700,604	111,636	-	9,067,781
Letters of guarantee *	18,703,364	31,248,356	19,654,004	1,664,352	71,270,076
Acceptances	2,470,786	751,809	4,227	-	3,226,822
Irrevocable commitments to extend credit	5,541,782	2,871,640	4,486,696	8,607,711	21,507,829
Total	32,971,473	37,572,409	24,256,563	10,272,063	105,072,508

2020 (SAR'000s)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	6,057,428	2,919,800	96,089	-	9,073,317
Letters of guarantee *	13,184,559	28,538,617	19,156,195	1,642,957	62,522,328
Acceptances	2,039,976	454,981	2,545	-	2,497,502
Irrevocable commitments to extend credit	446,174	2,512,482	6,271,726	3,204,807	12,435,189
Total	21,728,137	34,425,880	25,526,555	4,847,764	86,528,336

* 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, 2021 which can be revoked unilaterally at any time by the Group, amounts to SAR 94,860 million (2020: SAR 96,300 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, 2021	47,346	39,174	198,864	285,384
Transfer to 12-month ECL	7,323	(7,323)	-	-
Transfer to lifetime ECL - not Credit Impaired	(745)	745	-	-
Transfer to lifetime ECL - Credit Impaired	(18)	(900)	918	-
Net re-measurement of loss allowance	(15,127)	(11,721)	(2,398)	(29,246)
Transfer to write-off reserves	-	-	-	-
Balance as at December 31, 2021	38,779	19,975	197,384	256,138

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	49,500	14,359	128,926	192,785
Transfer to 12-month ECL	3,441	(3,365)	(76)	-
Transfer to lifetime ECL - not Credit Impaired	(9,925)	11,425	(1,500)	-
Transfer to lifetime ECL - Credit Impaired	(79)	(5,733)	5,812	-
Net re-measurement of loss allowance	4,409	22,488	70,903	97,800
Transfer to write-off reserves	-	-	(5,201)	(5,201)
Balance as at December 31, 2020	47,346	39,174	198,864	285,384

As at December 31, 2021, the balance in the write-off reserves amounted to SAR 558 million (December 31, 2020: SAR 577 million).

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

	2021 SAR'000	2020 SAR'000
Corporate	85,268,208	69,692,945
Banks and other financial institutions	19,804,300	16,835,391
Total	105,072,508	86,528,336

Notes to the Consolidated Financial Statements (continued)
For the years ended December 31, 2021 and 2020

d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2021		2020	
	Assets SAR million	Related liabilities SAR million	Assets SAR million	Related liabilities SAR million
Investments held at amortised cost and FVOCI (note 7 e) and 12	9,307	9,407	13,125	12,971

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

20. SPECIAL COMMISSION INCOME AND EXPENSE

		2021 SAR'000	2020 SAR'000
Special commission income on:			
Investments	- FVOCI	751,776	695,722
	- Amortised cost	672,527	872,900
		1,424,303	1,568,622
Due from banks and other financial institutions		92,777	140,569
Loans and advances		7,591,026	8,104,203
Total		9,108,106	9,813,394

	2021 SAR'000	2020 SAR'000
Special commission expense on:		
Due to banks and other financial institutions	95,817	289,376
Customer deposits	476,614	1,092,300
Debt securities in issue	242,502	218,113
Total	814,933	1,599,789

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

21. FEE AND COMMISSION INCOME, NET

	2021 SAR'000	2020 SAR'000
Fee and commission income on:		
- Share brokerage and fund management	862,622	642,555
- Trade finance	612,195	593,368
- Credit facilities and advisory	620,534	700,679
- Card products	809,797	621,341
- Other banking services	249,643	152,277
Total fee and commission income	3,154,791	2,710,220

	2021 SAR'000	2020 SAR'000
Fee and commission expense on:		
- Card products	636,103	566,634
- Share brokerage	141,558	117,315
- Other banking services	259,483	152,716
Total fee and commission expense	1,037,144	836,665
Fee and commission income, net	2,117,647	1,873,555

22. GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2021 SAR'000	2020 SAR'000
FVOCI	311,311	299,383
Amortised Cost	96,210	5,685
Total	407,521	305,068

23. OTHER OPERATING INCOME

Other operating income mainly includes gain on disposals of property and equipment amounting to SAR 0.44 million (2020: SAR 0.16 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 25.86 million (2020: SAR 3.55 million). Other operating income for 2020, includes SAR 66 million, representing waiver of penalty for delay in payment of VAT.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

24. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2021 and 2020, and the forms of such payments.

	Number of employees		Fixed compensation		Variable compensation		Total compensation	
SAR'000	2021	2020	2021	2020	2021	2020	2021	2020
Categories								
Senior executives requiring SAMA no objection	12	13	29,038	30,344	29,511	28,817	58,549	59,161
Employees engaged in risk taking activities	478	376	167,223	118,861	61,795	30,566	229,018	149,427
Employees engaged in control functions	375	388	115,775	100,097	21,958	20,107	137,733	120,204
Outsourced employees	960	615	49,603	46,181	-	-	49,603	46,181
Other employees	4,795	4,755	993,567	857,484	169,652	193,273	1,163,219	1,050,757
Total	6,620	6,147	1,355,206	1,152,967	282,916	272,763	1,638,122	1,425,730

	2021	2020
Variable compensation accrued during the year and other employee related benefits*	737,078	786,461
Total salaries and employee-related expenses as per consolidated statement of income	2,092,284	1,939,428

*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 a jobholder's level of involvement in risk taking process. This 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. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are decided based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

The Board of Directors has the responsibility to approve and oversee the Group's compensation and incentives policy. The Board Nomination and Compensation Committee is composed of five non-executive Directors (comprising of three Board Directors and two independent external members) and is charged with overseeing the compensation system design and effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee is accountable for reviewing and approving the Group's compensation and incentives policy and undertaking its periodic assessment and update so as to ensure achievement of the system objectives and to reinforce the Group's risk management framework. Fixed compensation comprises salaries and wages and other benefits and allowances. Variable compensation includes sales incentives, product-related rewards and performance-related payments.

The Group has adopted fixed and variable compensation schemes. For senior managers and material risk takers, a percentage of the variable component is deferred and vested in 3 years and is aligned with the jobholder's level of responsibility, Group and individual performance and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against both industry norms and international best practice and makes necessary revisions as and when required.

25. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2021 and 2020 are calculated by dividing the net income for the year by 3,000 million shares.

26. DIVIDENDS

Interim dividends for 2021 amounted to SAR 1,500 million (SAR 0.50 per share) and final dividends of SAR 1,620 million(SAR 0.54 per share) have been proposed for 2021. On March 23, 2021, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for 2020. The amount of such dividend amounted to SAR 1,500 million (SAR 0.50 per share) and the distribution date for the dividend was April 6, 2021.

27. ZAKAT

During 2018, the Group reached an agreement with the ZATCA on the settlement of zakat claims for previous financial years up to the end of the fiscal financial year 2017, against payment of an amount of SAR 2,970 million. As per the settlement agreement, the Group was required to settle 20% of the agreed zakat liability in 2018, and the remaining amount to be settled over a period of five years. Accordingly the Group has recorded zakat for the previous years and until the end of financial year 2017, through its retained earnings amounting to SAR 753.6 million. This was in addition to SAR 440 million accrued during first half of 2018. As a result of the settlement agreement the Group agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

On March 14, 2019, Saudi Arabia's ZATCA had published rules for computation of zakat for companies engaged in financing activities (the "Rules") and licensed by SAMA. The Rules are issued pursuant to the zakat Implementing Regulations and are applicable for the periods from January 1, 2019. In addition to providing a new basis for calculating the Zakat base, the Rules have also introduced a minimum floor at 4 times the net income and a maximum cap at 8 times the net income when determining the Zakat base. Zakat liability for the shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

Under the SAMA COVID-19 support initiatives, the banks in Kingdom of Saudi Arabia (KSA) received long term interest free deposits from SAMA. The nature and purpose of these deposits are defined as monetary policy tool from the Government of KSA to the banks in KSA and hence these deposits have been exempted from scope of zakatable financing source of the Bank. During the year ended December 31, 2021, the above treatment has been confirmed by the Zakat, Tax and Customs Authority (ZATCA).

Accordingly based on the new regulations, the Bank has estimated provision for zakat liability for the year ended December 31, 2021 at SAR 693 million (December 31, 2020: SAR 769 million).

The zakat paid during year-end December 31, 2021 amounted to SAR 1,160 million(December 31, 2020: SAR 1,118 million).

28. DEFINED BENEFIT PLAN

a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

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For the years ended December 31, 2021 and 2020

b) The movement in the obligation during the year based on its present value are as follows:

	2021 SAR'000	2020 SAR'000
Defined benefit obligation at the beginning of the year	1,029,374	908,058
Current service cost	95,723	85,811
Interest cost	22,958	27,184
Benefits paid	(75,944)	(51,813)
Actuarial (gains) loss recognised in other comprehensive income	(73,715)	60,134
Defined benefit obligation at the end of the year	998,396	1,029,374

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

c) Charge for the year

	2021 SAR'000	2020 SAR'000
Current service cost	95,723	85,811
Interest on defined benefit obligations	22,958	27,184
	118,681	112,995

d) Re-measurement recognised in Other comprehensive income

	2021 SAR'000	2020 SAR'000
(Gain) loss from change in experience assumptions	(15,706)	33,248
Actuarial (gain) loss due to change in demographic assumptions	(3,412)	-
(Gain) loss from change in financial assumptions	(54,597)	26,886
	(73,715)	60,134

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate per annum	2.7%	2.2%
Expected rate of salary increase per annum	4.0%	4.0%
Normal retirement age	60	60

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2021 and 2020 to the discount rate of 2.7% (2020: 2.2%) and salary escalation rate 4.0% (2020: 4.0%)

	Impact on defined benefit obligation increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
2021		SAR'000	SAR'000
Discount rate	0.50%	(47,525)	51,383
Expected rate of salary increase	0.50%	50,473	(47,180)

2020		SAR'000	SAR'000
Discount rate	0.50%	(51,217)	55,541
Expected rate of salary increase	0.50%	54,263	(50,594)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

29. CASH AND CASH EQUIVALENTS

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

	2021 SAR'000	2020 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	15,259,413	31,544,430
Due from banks and other financial institutions maturing within three months from the date of acquisition	17,147,273	13,420,691
Total	32,406,686	44,965,121

30. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

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

Investment banking and brokerage

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

Corporate banking

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

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Treasury and investments

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

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	91,223,134	3,077,765	144,200,109	87,234,810	325,735,818
Total liabilities	98,183,158	950,279	153,233,554	26,069,056	278,436,047
Total operating income, net including	3,751,513	972,894	4,307,252	2,536,182	11,567,841
- Inter segment income (expenses)	(56,242)	182,273	(366,752)	240,721	-
- Net special commission income	3,679,444	194,791	3,038,621	1,380,317	8,293,173
- Fee and commission income, net	103,567	759,852	1,230,640	23,588	2,117,647
Total operating expenses, net including	2,518,506	278,541	1,863,355	156,881	4,817,283
- Depreciation of property and equipment	377,207	29,204	75,467	11,315	493,193
- Impairment charge for credit losses and other financial assets, net	(65,726)	-	919,246	(2,763)	850,757
- Impairment charge for investments, net	-	-	-	1,927	1,927
Share in (losses) of associates, net	-	-	-	(32,498)	(32,498)
Income before zakat	1,233,007	694,353	2,443,897	2,346,803	6,718,060

2020 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	77,250,895	2,369,873	133,272,213	97,194,926	310,087,907
Total liabilities	91,940,686	564,609	150,436,062	22,791,452	265,732,809
Total operating income, net including	3,745,074	753,526	4,301,464	2,405,057	11,205,121
- Inter segment income (expenses)	125,905	169,925	(397,307)	101,477	-
- Net special commission income	3,564,197	177,496	3,193,295	1,278,617	8,213,605
- Fee and commission income, net	198,648	544,069	1,100,165	30,673	1,873,555
Total operating expenses, net including	2,463,765	222,909	2,873,238	180,580	5,740,492
- Depreciation of property and equipment	379,094	25,293	71,480	12,477	488,344
- Impairment charge for credit losses and other financial assets, net	32,914	-	2,024,357	4,472	2,061,743
- Impairment charge for investments, net	-	-	-	44,192	44,192
Share in earnings of associates, net	-	-	-	19,368	19,368
Income before zakat	1,281,309	530,617	1,428,226	2,243,845	5,483,997

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

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	88,804,728	1,837,675	143,698,091	83,652,293	317,992,787
Commitments and contingencies	-	-	64,888,615	-	64,888,615
Derivatives	-	-	-	4,320,606	4,320,606

2020 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	75,307,873	1,202,563	132,922,705	93,684,882	303,118,023
Commitments and contingencies	-	-	55,018,200	-	55,018,200
Derivatives	-	-	-	3,194,647	3,194,647

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment, other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

31. FINANCIAL RISK MANAGEMENT

31.1 CREDIT RISK

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by the deployment of Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

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The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence hrough a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 31.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 e). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 30.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 35.

31.2 GEOGRAPHICAL CONCENTRATION

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

2021 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	25,587,468	-	10	-	-	-	-	25,587,478
Cash in hand	4,240,475	-	10	-	-	-	-	4,240,485
Balances with SAMA	21,346,993	-	-	-	-	-	-	21,346,993
Due from banks and other financial institutions	10,841,747	184,542	1,403,258	5,024,952	-	3,028	187,305	17,644,832
Current accounts	23,691	88,250	108,168	4,838,433	-	3,028	87,387	5,148,957
Money market	10,818,056	96,292	1,295,090	186,519	-	-	99,918	12,495,875
Positive fair value of derivatives	837,419	27,872	548,877	347	-	-	-	1,414,515
Investments, net	39,714,488	996,454	3,828,477	8,352,701	554,785	1,497,310	3,692,971	58,637,186
FVIS	1,176,774	-	-	-	-	-	-	1,176,774
FVOCI	3,316,560	828,165	3,828,477	8,352,701	554,785	1,497,310	3,162,002	21,540,000
Amortised cost	35,221,154	168,289	-	-	-	-	530,969	35,920,412
Investment in associates	452,396	197,324	-	-	-	-	-	649,720
Loans and advances, net	209,642,265	4,967,038	2,031,111	649,515	-	-	306	217,290,235
Overdraft	5,420,422	-	-	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	-	-	828,136
Consumer loans	75,652,111	-	-	-	-	-	-	75,652,111
Commercial loans	126,909,778	4,967,038	2,031,111	649,515	-	-	306	134,557,748
Others	831,818	-	-	-	-	-	-	831,818
Other assets	1,492,186	-	-	-	-	-	-	1,492,186
Accounts receivable and others	1,492,186	-	-	-	-	-	-	1,492,186
Total	288,567,969	6,373,230	7,811,733	14,027,515	554,785	1,500,338	3,880,582	322,716,152
Liabilities								
Due to banks and other financial institutions	25,585,537	10,397,428	6,524,577	223,158	-	10,848	392,592	43,134,140
Current accounts	-	362,642	612,175	11,634	-	10,848	65,317	1,062,616
Money market deposits	25,585,537	10,034,786	5,912,402	211,524	-	-	327,275	42,071,524
Negative fair value of derivatives	123,099	11,079	1,316,368	9,598	-	-	-	1,460,144
Customer deposits	210,001,193	-	1,677,104	-	-	-	-	211,678,297
Demand	116,240,770	-	14,232	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	-	-	1,348,523
Time	73,369,524	-	1,662,872	-	-	-	-	75,032,396
Other	19,042,376	-	-	-	-	-	-	19,042,376
Debt securities in issue	8,716,577	-	-	-	-	-	-	8,716,577
Other liabilities	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Accounts payable and others	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Total	257,813,765	10,408,507	9,566,312	243,944	-	10,927	392,592	278,436,047

2021 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Commitments and contingencies	77,660,647	1,562,118	11,570,734	11,229,652	-	2,897,878	151,479	105,072,508
Letters of credit	8,467,348	222,242	274,433	1,200	-	68,246	34,312	9,067,781
Letters of guarantee	49,041,273	734,815	10,906,101	7,766,471	-	2,721,146	100,270	71,270,076
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	17,169,283	556,889	321,935	3,458,211	-	1,511	-	21,507,829
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,383,019	112,166	2,790,202	35,219	-	-	-	4,320,606
Held for trading	1,383,019	112,166	2,447,991	17,219	-	-	-	3,960,395
Held as fair value	-	-	305,211	-	-	-	-	305,211
Held as cash flow	-	-	37,000	18,000	-	-	-	55,000
Commitments and contingencies	47,528,754	903,573	7,569,754	6,848,694	-	1,939,839	98,001	64,888,615
Letters of credit	3,619,655	95,005	117,316	513	-	29,174	14,668	3,876,331
Letters of guarantee	32,493,238	486,866	7,226,047	5,145,825	-	1,802,948	66,436	47,221,360
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	8,433,118	273,530	158,126	1,698,586	-	742	-	10,564,102

2020 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	41,954,114	-	10	-	-	-	-	41,954,124
Cash in hand	5,136,656	-	10	-	-	-	-	5,136,666
Balances with SAMA	36,817,458	-	-	-	-	-	-	36,817,458
Due from banks and other financial institutions	3,240,734	937,028	4,489,269	4,851,790	-	41,475	64,180	13,624,476
Current accounts	442,765	88,387	1,050,921	4,563,960	-	39,947	64,180	6,250,160
Money market	2,797,969	848,641	3,438,348	287,830	-	1,528	-	7,374,316
Positive fair value of derivatives	1,294,955	21,266	228,920	13,789	-	-	27	1,558,957
Investments, net	36,051,493	1,609,163	3,813,444	9,738,278	436,307	1,616,555	3,184,566	56,449,806
FVIS	1,101,133	-	-	-	-	-	-	1,101,133
FVOCI	2,846,303	1,094,040	3,813,444	9,738,278	436,307	1,616,555	2,513,671	22,058,598
Amortised cost	32,104,057	515,123	-	-	-	-	670,895	33,290,075
Investment in associates	494,175	204,976	-	-	-	-	-	699,151
Loans and advances, net	186,541,097	4,319,187	486,351	-	-	-	-	191,346,635
Overdraft	6,542,077	-	-	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	-	-	680,286
Consumer loans	63,534,028	-	-	-	-	-	-	63,534,028
Commercial loans	115,394,462	4,319,187	486,351	-	-	-	-	120,200,000
Others	390,244	-	-	-	-	-	-	390,244
Other assets	1,702,893	-	-	-	-	-	-	1,702,893
Accounts receivable and others	1,702,893	-	-	-	-	-	-	1,702,893
Total	271,279,461	7,091,620	9,017,994	14,603,857	436,307	1,658,030	3,248,773	307,336,042

2020 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	25,225,844	5,709,707	10,047,376	321,519	-	13,436	471,021	41,788,903
Current accounts	-	364,418	461,227	83,057	-	3,781	56,769	969,252
Money market deposits	25,225,844	5,345,289	9,586,149	238,462	-	9,655	414,252	40,819,651
Negative fair value of derivatives	412,353	26,760	965,665	236,130	-	-	26	1,640,934
Customer deposits	200,434,165	-	2,605,171	-	-	-	-	203,039,336
Demand	116,696,291	-	64,643	-	-	-		116,760,934
Saving	1,054,476	-	-	-	-	-	-	1,054,476
Time	64,535,015	-	2,540,528		-	-	-	67,075,543
Other	18,148,383	-	-	-	-	-	-	18,148,383
Debt securities in issue	5,684,008	-	-	-	-	-	-	5,684,008
Other liabilities	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Accounts payable and others	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Total	245,309,035	5,736,467	13,637,583	565,157	-	13,520	471,047	265,732,809
Commitments and contingencies	57,575,386	3,580,002	11,456,635	10,626,956	-	3,122,792	166,565	86,528,336
Letters of credit	8,802,138	246,572	231	16,878	-	2,354	5,144	9,073,317
Letters of guarantee	37,942,185	2,769,660	11,455,709	7,094,433	-	3,120,438	139,903	62,522,328
Acceptances	2,486,843	6,881	695	-	-	-	3,083	2,497,502
Irrevocable commitments to extend credit	8,344,220	556,889	-	3,515,645	-	-	18,435	12,435,189
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,716,502	184,296	1,040,861	248,861	-	-	4,127	3,194,647
Held for trading	1,716,502	160,546	865,068	248,861	-	-	4,127	2,995,104
Held as fair value hedges	-	-	153,293	-	-	-	-	153,293
Held as cash flow hedges	-	23,750	22,500	-	-	-	-	46,250
Commitments and contingencies	36,392,039	2,259,029	7,680,345	6,485,317	-	2,093,013	108,457	55,018,200
Letters of credit	4,385,201	122,841	115	8,409	-	1,173	2,563	4,520,302
Letters of guarantee	25,435,207	1,856,690	7,679,535	4,755,877	-	2,091,840	93,786	41,912,935
Acceptances	2,486,843	6,881	695	-	-	-	3,083	2,497,502
Irrevocable commitments to extend credit	4,084,788	272,617	-	1,721,031	-	-	9,025	6,087,461

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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	
	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	**2,752,483**	2,217,328	**(1,466,496)**	(1,215,317)
Consumer Loans**	**902,482**	1,136,231	**(481,034)**	(633,227)
Other GCC and Middle East				
Commercial Loans*	**-**	298,377	**-**	(223,826)
Total	**3,654,965**	3,651,936	**(1,947,530)**	(2,072,370)

*Includes overdrafts and other loans
** includes consumer mortgage loans and credit cards

31.3 CREDIT QUALITY ANALYSIS

a) The following table sets out information about the credit quality of financial assets as at December 31, 2021 and 2020. 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

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	**37,447,375**	**-**	**-**	**37,447,375**
Non-investment grade	**1,546,901**	**-**	**-**	**1,546,901**
Carrying amount	**38,994,276**	**-**	**-**	**38,994,276**

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	49,117,980	-	-	49,117,980
Non-investment grade	1,329,169	-	-	1,329,169
Carrying amount	50,447,149	-	-	50,447,149

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

ii) Loans and advances, gross at amortized cost

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	204,058,833	6,109,508	48,874	210,217,215
Watch list	-	7,331,936	600,276	7,932,212
Substandard	-	-	2,028,768	2,028,768
Doubtful	-	-	979,954	979,954
Loss	-	-	646,243	646,243
Carrying amount	204,058,833	13,441,444	4,304,115	221,804,392

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	176,593,045	7,428,631	63,318	184,084,994
Watch list	-	7,487,524	656,194	8,143,718
Substandard	-	-	2,227,056	2,227,056
Doubtful	-	-	743,445	743,445
Loss	-	-	681,435	681,435
Carrying amount	176,593,045	14,916,155	4,371,448	195,880,648

Notes to the Consolidated Financial Statements (continued)

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ii) (a) Credit cards, gross

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	777,176	18,796	-	795,972
Watch list	-	27,654	-	27,654
Substandard	-	-	25,010	25,010
Doubtful	-	-	4,966	4,966
Loss	-	-	13	13
Carrying amount	777,176	46,450	29,989	853,615

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	626,115	36,441	-	662,556
Watch list	-	17,078	-	17,078
Substandard	-	-	28,215	28,215
Doubtful	-	-	724	724
Loss	-	-	1,543	1,543
Carrying amount	626,115	53,519	30,482	710,116

ii) (b) Consumer loans, gross*

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	74,447,992	346,545	-	74,794,537
Watch list	-	810,370	-	810,370
Substandard	-	-	436,695	436,695
Doubtful	-	-	243,806	243,806
Loss	-	-	191,992	191,992
Carrying amount	74,447,992	1,156,915	872,493	76,477,400

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	61,917,840	1,109,908	-	63,027,748
Watch list	-	399,099	-	399,099
Substandard	-	-	701,616	701,616
Doubtful	-	-	72,686	72,686
Loss	-	-	331,447	331,447
Carrying amount	61,917,840	1,509,007	1,105,749	64,532,596

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

ii) (c) Commercial loans, gross**

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	128,833,665	5,744,167	48,874	134,626,706
Watch list	-	6,493,912	600,276	7,094,188
Substandard	-	-	1,567,063	1,567,063
Doubtful	-	-	731,182	731,182
Loss	-	-	454,238	454,238
Carrying amount	128,833,665	12,238,079	3,401,633	144,473,377

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	114,049,090	6,282,282	63,318	120,394,690
Watch list	-	7,071,347	656,194	7,727,541
Substandard	-	-	1,497,225	1,497,225
Doubtful	-	-	670,035	670,035
Loss	-	-	348,445	348,445
Carrying amount	114,049,090	13,353,629	3,235,217	130,637,936

* Includes consumer mortgage loans
* *Includes overdrafts and other loans

iii) Debt investment securities at amortised cost

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	33,584,032	-	-	33,584,032
Investment Grade	1,925,619	-	-	1,925,619
Non-investment Grade	234,835	181,543	-	416,378
Carrying amount	35,744,486	181,543	-	35,926,029

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	30,411,168	-	-	30,411,168
Investment Grade	577,023	-	-	577,023
Non-investment Grade	2,317,957	-	-	2,317,957
Carrying amount	33,306,148	-	-	33,306,148

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

iii) Debt investment securities at FVOCI

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade	10,094,232	659,731	-	10,753,963
Non-investment Grade	5,189,076	1,436,794	86,522	6,712,392
Carrying amount	15,283,308	2,096,525	86,522	17,466,355

2020 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	12,546,283	-	-	12,546,283
Non-investment Grade	5,703,059	237,903	52,485	5,993,447
Carrying amount	18,249,342	237,903	52,485	18,539,730

The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2021 and 2020.

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	76,976,224	2,086,475	119	79,062,818
Watch list	-	3,812,211	59,360	3,871,571
Substandard	-	-	311,787	311,787
Doubtful	-	-	50,832	50,832
Loss	-	-	267,671	267,671
Carrying amount	76,976,224	5,898,686	689,769	83,564,679

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	67,599,950	2,232,924	155	69,833,029
Watch list	-	3,700,226	39,747	3,739,973
Substandard	-	-	253,338	253,338
Doubtful	-	-	26,774	26,774
Loss	-	-	240,033	240,033
Carrying amount	67,599,950	5,933,150	560,047	74,093,147

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 remaining 12 month probability of default (PD) as at the reporting date; with
- the remaining 12 month PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group, groups its loans into Stage 1, Stage 2, Stage 3 and POCI, 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.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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.

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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, benchmark interest rates and unemployment. 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.

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 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, based on the Group's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Disclosure of relevant qualitative indicators, including different criteria used for different portfolios- e.g. retail mortgages, credit cards, commercial real estate etc.

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 Group Audit Committee regularly reviews reports on 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.

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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. These scenarios are formulated by considering the forecasts from International Monetary Fund's (IMF) 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 from IMF and other reputable external sources, like Saudi Central Bank (SAMA). Initially, the Group started with close to 40 macro-economic variables for the development of macroeconomic models, and using the most robust statistical techniques like linear and multi-factor regression, the Group finally selected only the best suitable combination of variables pertaining to the respective portfolios (on which the model would be applied). The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure under different portfolios:

- Crude oil prices (in USD per Barrel)
- World's GDP Growth Rate (%)
- National Government Expenditure (as a % of GDP)
- National GDP Revenue (Billion SAR '000)
- National GDP Growth Rate (%)
- Inflation (% change of Consumer Price Index)

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

	Forecast calendar years used in 2021 ECL model (Baseline)			Forecast calendar years used in 2021 ECL model (Severe)		
Economic Indicators	2022	2023	2024	2022	2023	2024
Crude Oil prices (in USD per Barrel)	64.5	61.3	59.0	47.2	43.9	41.7
National Government Revenue (Bn SAR)	954.8	978.8	1012.4	771.8	795.5	829.1
World's GDP (%)	4.9	3.6	3.7	3.9	2.9	2.7
National Government Expenditure (% of GDP)	30.8	30.5	30.1	28.5	28.2	27.8
Inflation (Consumer Price Index)	106.9	109.0	111.2	111.8	113.9	116.1
National GDP growth (annual % change)	4.8	2.8	2.8	2.3	0.2	0.3

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 COVID-19 continues to 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.

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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 2021
Macro-economic factors:	
10% Dip in oil prices (USD per Barrel)	**28,751**
20% Dip in oil prices (USD per Barrel)	**59,439**
5% Contraction in Government Revenue (Bn SAR)	**36,039**
10% Contraction in Government Revenue (Bn SAR)	**74,588**
5% Decline in the World GDP growth rate (%)	**10,315**
10% Decline in World GDP growth rate (%)	**21,151**
10% Decline in National Government Expenditure (% of GDP)	**3,349**
15% Decline in National Government Expenditure (% of GDP)	**5,055**
20% Decline in National GDP growth rate (annual % change)	**1,846**
40% Decline in National GDP growth rate (annual % change)	**3,692**
1% Contraction in Saudi Inflation / CPI (% change)	**148**
2% Contraction in Saudi Inflation / CPI (% change)	**296**
Scenario Probability of Occurrence	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	**35,793**
Base scenario sensitized by +/- 5% with corresponding change in mild upside	**28,354**

vi) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following factors:

i. Probability of default (PD);
ii. Loss given default (LGD);
iii. 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.

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LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, financial guarantees and Retail credit cards, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include but not limited to below:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower;
- Economic Sectors.

The Group's risk and business profile is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

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31.4 CREDIT QUALITY OF LOANS AND ADVANCES

a) Ageing of loans and advances (Excluding non-performing loans)

2021 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	45,216	2,165,260	742,773	2,953,249
From 31 - 90 days	28,428	806,539	538,212	1,373,179
From 91 - 180 days	-	-	21,667	21,667
More than 180 days	-	-	5,528	5,528
Total	73,644	2,971,799	1,308,180	4,353,623

2020 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	36,368	1,550,452	287,746	1,874,566
From 31 - 90 days	20,643	516,539	180,118	717,300
From 91 - 180 days	-	-	810	810
More than 180 days	-	-	-	-
Total	57,011	2,066,991	468,674	2,592,676

* Includes consumer mortgage loans
** Includes overdrafts and other loans

b) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

	2021				2020			
SAR' 000	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi Government	-	-	-	-	474,379	-	(882)	473,497
Banks and other financial institutions	9,334,300	2,108	(28,396)	9,308,012	8,811,870	-	(35,808)	8,776,062
Agriculture and fishing	2,339,051	-	(3,412)	2,335,639	2,399,974	-	(4,238)	2,395,736
Manufacturing	26,434,029	468,686	(903,221)	25,999,494	23,147,533	444,542	(751,484)	22,840,591
Mining and quarrying	9,594,059	320	(11,153)	9,583,226	10,630,575	-	(9,479)	10,621,096
Electricity, water, gas and health services	8,141,975	10,440	(18,691)	8,133,724	5,078,019	7,842	(11,710)	5,074,151
Building and construction	15,994,266	1,171,339	(1,734,406)	15,431,199	15,868,270	546,974	(305,553)	16,109,691
Commerce	51,900,765	1,024,198	(867,075)	52,057,888	47,413,639	1,338,779	(2,302,426)	46,449,992
Transportation and communication	5,813,073	4,671	(9,539)	5,808,205	5,045,075	581	(6,960)	5,038,696
Services	11,917,468	70,721	(87,238)	11,900,951	9,236,766	176,987	(75,126)	9,338,627
Consumer loans and credit cards	76,428,533	902,482	(850,768)	76,480,247	64,106,481	1,136,231	(1,028,398)	64,214,314
Others	251,908	-	(258)	251,650	16,131	-	(1,949)	14,182
Total	218,149,427	3,654,965	(4,514,157)	217,290,235	192,228,712	3,651,936	(4,534,013)	191,346,635

c) 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:

	2021 SAR'000	2020 SAR'000
Good loans	89,785,862	71,774,596
Past due but performing loans	2,480,368	1,825,921
Non performing loans	1,761,356	1,627,891
Total	94,027,586	75,228,408

32. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

32.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 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.

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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, 2021 and 2020 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

2021	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2021	0.98	2.29	4.19	7.46
Average VaR for 2021	2.00	2.29	5.22	9.50
Maximum VaR for 2021	16.08	10.51	7.66	23.88
Minimum VaR for 2021	0.56	0.11	3.48	5.35

2020	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2020	1.20	2.24	4.65	7.21
Average VaR for 2020	2.71	4.95	3.83	9.73
Maximum VaR for 2020	22.89	13.58	5.00	30.69
Minimum VaR for 2020	0.67	2.01	2.26	4.69

32.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2021 and 2020, including the effect of hedging instruments.

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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, 2021 and 2020 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.

2021 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+ 100	603.70	-	-	-	-	-
USD	+ 100	(178.08)	(7.78)	0.45	(89.00)	(547.15)	(643.48)
EUR	+ 100	(12.73)	-	-	-	-	-
GBP	+ 100	(16.20)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

2021 Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	571.04	-	-	-	-	-
USD	- 100	(135.23)	7.78	(0.45)	89.00	547.15	643.48
EUR	- 100	0.09	-	-	-	-	-
GBP	- 100	12.35	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

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32. Market risk (continued)

32.2 Market risk - Non trading or banking book (continued)

i) special commission rate risk (continued)

2020 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+ 100	611.43	-	-	-	-	-
USD	+ 100	(44.44)	(3.62)	0.08	(126.15)	(533.97)	(663.66)
EUR	+ 100	0.61	-	-	-	-	-
GBP	+ 100	(8.41)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	(0.58)	-	-	-	-	-

2020 Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	(621.28)	-	-	-	-	-
USD	- 100	4.33	3.62	(0.08)	126.15	533.97	663.66
EUR	- 100	(0.61)	-	-	-	-	-
GBP	- 100	0.32	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	0.58	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re- price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

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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.

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
ASSETS						
Cash and balances with SAMA	10,973,837	-	-	-	14,613,641	25,587,478
Cash in hand	-	-	-	-	4,240,485	4,240,485
Balances with SAMA	10,973,837	-	-	-	10,373,156	21,346,993
Due from banks and other financial institutions	15,198,374	146,218	-	-	2,300,240	17,644,832
Current accounts	2,848,717	-	-	-	2,300,240	5,148,957
Money market placements	12,349,657	146,218	-	-	-	12,495,875
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	15,992,867	1,455,645	9,833,910	26,104,345	5,250,419	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	15,959,498	1,167,163	2,873,165	15,920,586	-	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	82,013,817	66,001,889	38,700,747	30,573,782	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	4,171,698	12,792,905	28,702,343	29,985,165	-	75,652,111
Commercial loans	70,761,743	53,208,984	9,998,404	588,617	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property and equipment, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	124,696,021	67,641,904	48,964,743	57,584,105	26,849,045	325,735,818

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2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Liabilities and shareholders' equity						
Due to banks and other financial institutions	14,240,715	7,441,084	19,755,892	633,833	1,062,616	43,134,140
Current accounts	-	-	-	-	1,062,616	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	63,335,023	14,564,913	1,724,366	730,553	131,323,442	211,678,297
Demand	4,611,610	-	-	-	111,643,392	116,255,002
Saving	710,849	-	-	-	637,674	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	-	-	-	-	19,042,376	19,042,376
Debt securities in issue	-	-	-	8,716,577	-	8,716,577
Other liabilities	-	-	-	-	13,446,889	13,446,889
Accounts payable and others	-	-	-	-	13,446,889	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	77,657,818	22,023,065	21,950,581	10,971,636	193,132,718	325,735,818
Special commission rate sensitivity -On statement of financial position gap	47,038,203	45,618,839	27,014,162	46,612,469	(166,283,673)	-
Special commission rate sensitivity -Off statement of financial position gap	3,525,653	37,575	(1,275,409)	(2,287,819)	-	
Total special commission rate sensitivity gap	50,563,856	45,656,414	25,738,753	44,324,650	(166,283,673)	
Cumulative special commission rate sensitivity	50,563,856	96,220,270	121,959,023	166,283,673	-	

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2020 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	26,323,268	-	-	-	15,630,856	41,954,124
Cash in hand	-	-	-	-	5,136,666	5,136,666
Balances with SAMA	26,323,268	-	-	-	10,494,190	36,817,458
Due from banks and other financial institutions	12,182,397	-	-	-	1,442,079	13,624,476
Current accounts	4,808,081	-	-	-	1,442,079	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	14,072,590	2,213,910	12,996,519	22,546,786	4,620,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	14,020,806	2,143,824	6,598,286	10,527,159	-	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	77,974,355	57,921,076	33,848,423	21,602,781	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	4,054,252	12,785,348	25,434,402	21,260,026	-	63,534,028
Commercial loans	66,307,496	45,135,728	8,414,021	342,755	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	131,045,119	60,175,177	47,542,298	44,905,572	26,419,741	310,087,907

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2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
LIABILITIES AND SHAREHOLDERS' EQUITY						
Due to banks and other financial institutions	6,458,517	15,052,007	18,672,548	636,579	969,252	41,788,903
Current accounts	-	-	-	-	969,252	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	72,840,434	5,716,050	3,808,334	595,413	120,079,105	203,039,336
Demand	15,335,897	-	-	-	101,425,037	116,760,934
Saving	548,791	-	-	-	505,685	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	-	-	-	-	18,148,383	18,148,383
Debt securities in issue	-	-	-	5,684,008	-	5,684,008
Other liabilities	-	-	-	-	13,579,628	13,579,628
Accounts payable and others	-	-	-	-	13,579,628	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	79,364,507	20,793,934	23,257,759	7,688,624	178,983,083	310,087,907
Special commission rate sensitivity -On statement of financial position gap	51,680,612	39,381,243	24,284,539	37,216,948	(152,563,342)	-
Special commission rate sensitivity -Off statement of financial position gap	2,308,591	(11,250)	(1,283,772)	(1,013,569)	-	
Total special commission rate sensitivity gap	53,989,203	39,369,993	23,000,767	36,203,379	(152,563,342)	
Cumulative special commission rate sensitivity gap	53,989,203	93,359,196	116,359,963	152,563,342	-	

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2021 and 2020 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, 2021 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±7.1
EUR	± 1	±0.0006
GBP	± 1	±0.014
JPY	± 1	±0
Others	± 1	±0

Currency Exposures As at December 31, 2020 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±7.14
EUR	± 1	±0.05
GBP	± 1	±0.09
JPY	± 1	± 0.00
Others	± 1	±(0.02)

iv) Foreign currency risk

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2021 Long (short) SAR'000	2020 Long (short) SAR'000
US Dollar	(762,308)	444,276
Japanese Yen	232	325
Euro	14	683
Pound Sterling	83	13
Others	27,113	49,513

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

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v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's domestic equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

	December 31, 2021		December 31, 2020	
Market Index	Change in equity index %	Effect in SAR millions	Change in equity index %	Effect in SAR millions
Tadawul	+5	127.85	+5	107.53
	+10	255.71	+10	215.05
	-5	(127.85)	-5	(107.53)
	-10	(255.71)	-10	(215.05)

33. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by 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% (2020: 7%) of average demand deposits and 4% (2020: 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, 2021 and 2020 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:

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	15,320,485	7,454,281	19,768,378	637,146	43,180,290
Current accounts	1,062,616	-	-	-	1,062,616
Money market deposits	14,257,869	7,454,281	19,768,378	637,146	42,117,674
Customer deposits	192,407,060	15,916,869	2,809,546	894,321	212,027,796
Demand	116,255,022	-	-	-	116,255,022
Saving	1,348,528	-	-	-	1,348,528
Time	58,106,054	14,675,465	1,834,247	766,104	75,381,870
Other	16,697,456	1,241,404	975,299	128,217	19,042,376
Debt securities in issue	146,393	184,248	982,655	9,502,712	10,816,008
Derivative financial instruments	44,891	55,974	161,057	12,369	274,291
Total undiscounted financial liabilities	207,918,829	23,611,372	23,721,636	11,046,548	266,298,385

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	7,453,042	15,079,629	18,739,018	674,430	41,946,119
Current accounts	969,252	-	-	-	969,252
Money market deposits	6,483,790	15,079,629	18,739,018	674,430	40,976,867
Customer deposits	191,158,771	6,674,319	4,777,927	686,385	203,297,402
Demand	116,761,065	-	-	-	116,761,065
Saving	1,054,480	-	-	-	1,054,480
Time	57,022,611	5,766,317	3,906,536	638,010	67,333,474
Other	16,320,615	908,002	871,391	48,375	18,148,383
Debt securities in issue	100,650	132,125	704,668	6,382,471	7,319,914
Derivative financial instruments	16,552	17,659	171,210	85,114	290,535
Total undiscounted financial liabilities	198,729,015	21,903,732	24,392,823	7,828,400	252,853,970

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b) **The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.**

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	15,259,403	-	-	-	10,328,075	25,587,478
Cash in hand	4,240,485	-	-	-	-	4,240,485
Balances with SAMA	11,018,918	-	-	-	10,328,075	21,346,993
Due from banks and other financial institutions	17,498,614	146,218	-	-	-	17,644,832
Current accounts	5,148,957	-	-	-	-	5,148,957
Money market placements	12,349,657	146,218	-	-	-	12,495,875
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	11,491,423	802,560	14,508,926	26,519,299	5,314,978	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	11,458,054	514,078	7,548,181	16,335,540	64,559	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	43,254,418	33,625,068	69,029,829	71,380,920	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	96,268	465,569	27,367,529	47,722,745	-	75,652,111
Commercial loans	36,077,774	33,159,499	41,662,300	23,658,175	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property and equipment, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	88,020,984	34,611,998	83,968,841	98,806,197	20,327,798	325,735,818
Liabilities and shareholders' equity						
Due to banks and other financial institutions	15,303,331	7,441,084	19,755,892	633,833	-	43,134,140
Current accounts	1,062,616	-	-	-	-	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	192,313,545	15,806,317	2,699,665	858,770	-	211,678,297
Demand	116,255,002	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	16,697,456	1,241,404	975,299	128,217	-	19,042,376
Debt securities in issue	84,977	-	-	8,631,600	-	8,716,577
Other liabilities	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Accounts payable and others	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	207,827,799	24,564,750	23,851,072	11,721,273	57,770,924	325,735,818

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
ASSETS						
Cash and balances with SAMA	31,544,430	-	-	-	10,409,694	41,954,124
Cash in hand	5,136,666	-	-	-	-	5,136,666
Balances with SAMA	26,407,764	-	-	-	10,409,694	36,817,458
Due from banks and other financial institutions	13,624,476	-	-	-	-	13,624,476
Current accounts	6,250,160	-	-	-	-	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	8,392,076	1,040,850	14,145,197	28,249,682	4,622,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	8,340,292	970,764	7,746,964	16,230,055	2,000	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	55,798,483	38,421,700	45,201,742	51,924,710	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	105,845	370,973	24,495,701	38,561,509	-	63,534,028
Commercial loans	48,080,031	38,050,727	20,706,041	13,363,201	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	109,851,974	39,502,741	60,044,295	80,930,397	19,758,500	310,087,907
LIABILITIES AND SHAREHOLDERS' EQUITY						
Due to banks and other financial institutions	7,427,769	15,052,007	18,672,548	636,579	-	41,788,903
Current accounts	969,252	-	-	-	-	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	191,091,771	6,624,052	4,679,725	643,788	-	203,039,336
Demand	116,760,934	-	-	-	-	116,760,934
Saving	1,054,476	-	-	-	-	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	16,320,615	908,002	871,391	48,375	-	18,148,383
Debt securities in issue	56,608			5,627,400	-	5,684,008
Other liabilities	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Accounts payable and others	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	198,729,398	22,696,653	24,825,366	8,417,456	55,419,034	310,087,907

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note 19 c).

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34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based

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

2021 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,176,774	-	-	1,176,774
- Others	1,176,774	-	-	1,176,774
Investments Held as FVOCI	21,002,466	-	537,534	21,540,000
- Fixed rate securities	17,466,355	-	-	17,466,355
- Floating rate securities	-	-	-	-
- Equities	3,536,111	-	537,534	4,073,645
Positive fair value derivatives	-	1,414,515	-	1,414,515
Financial liabilities measured at fair value				
Negative fair value derivatives	-	1,460,144	-	1,460,144

Fair value and fair value hierarchy

2020 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,101,133	-	-	1,101,133
- Others	1,101,133	-	-	1,101,133
Investments Held as FVOCI	21,603,888	-	454,710	22,058,598
- Fixed rate securities	18,539,730	-	-	18,539,730
- Floating rate securities	-	-	-	-
- Equities	3,064,158	-	454,710	3,518,868
Positive fair value derivatives	-	1,558,957	-	1,558,957
Financial liabilities measured at fair value				
Negative fair value derivatives	-	1,640,934	-	1,640,934

The fair value of loans and advances amounted to SAR 222,745 million (2020: SAR 201,464 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances which is categorized within level 3 of fair value hierarchy. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 36,074 million (2020: SAR 33,290 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 at December 31, 2021 and 2020 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

	2021 SAR'000	2020 SAR'000
Opening balance	454,710	392,722
Total gains or losses		
- recognised in consolidated statement of income	(1,028)	16,399
- recognised in other comprehensive income	(34,998)	(1,218)
Purchases	118,850	46,807
Closing balance	537,534	454,710

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:

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

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35. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2021 SAR'000	2020 SAR'000
a) Major Shareholders		
Loans and advances	105,550	105,538
Customer deposits	27,547,597	23,620,021
Derivatives asset (at fair value)	4,792	5,291
Commitments and contingencies (irrevocable)	894,450	894,462
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	1,647,213	1,471,841
Customer deposits	2,745,044	488,865
Derivatives asset (at fair value)	-	148,597
Commitments and contingencies (irrevocable)	3,255,922	2,186,884
Executive end of service	28,649	27,618
c) Associates		
Loans and advances	150,333	68,234
Customer deposits	29,031	21,932

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.

	2021 SAR'000	2020 SAR'000
Group's mutual funds:		
Customer deposits	500,000	937,000

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2021 SAR'000	2020 SAR'000
Special commission income	44,610	76,774
Special commission expense	108,162	341,896
Fees from banking services, net	376,195	343,860
Directors and committees remuneration and expenses	6,795	6,757
Executive remuneration and bonus	59,977	87,333
Executive end of service	5,064	5,189
Other expenses	167,552	164,203

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36. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk.

SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the Basel prescribed minimum. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Group's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2021		2020	
	Capital SAR'000	Ratio %	Capital SAR'000	Ratio %
Top consolidated level				
Tier 1 capital	47,306,359	15.8%	44,351,697	16.5%
Tier 2 capital	9,388,920		6,779,023	
Total regulatory capital (Tier 1 + Tier 2)	56,695,279	19.0%	51,130,720	19.1%

	2021 SAR '000	2020 SAR '000
Risk weighted assets		
Credit risk weighted assets	274,628,117	245,886,873
Operational risk weighted assets	19,649,357	18,367,191
Market risk weighted assets	4,197,387	3,879,905
Total Pillar 1 Risk Weighted Assets	298,474,861	268,133,969

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37. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

38. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 91.2 billion (2020: SAR 67.2 billion).

The Bank's assets under management, include Shariah-approved portfolios amounting to SAR 57.4 billion (2020: SAR 43.9 billion).

39. SAMA SUPPORT PROGRAMS AND INITIATIVES

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Group has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Installment deferred (SAR billion)	Cost of deferral (SAR million)
April 2020 – September 2020	11.8	336
October 2020 – December 2020	8.7	105
January 2021 – March 2021	12.4	191
April 2021 – June 2021	13.6	378
July 2021 – September 2021	0.3	14
October 2021 – December 2021	0.3	6
January 2022 – March 2022	0.2	3

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The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Group has performed as assessment with respect to SICR for the customers still under DPP program as at December 31, 2021 and recorded an overlay of SAR 106.7 million as at December 31, 2021, as a result of the potential impact of stage movement.

In order to compensate the related cost that the Group has incurred under the SAMA and other public authorities program, during the year 2020, the Group has received multiple profit free deposits from SAMA amounting to SAR 19.9 billion with varying maturities, which qualify as government grants.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2021, total income of SAR 917.1 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SAR 28 million arose on the profit free deposit amounting to SAR 9.3 billion received during the year ended December 31, 2021. During the year ended December 31, 2021, a total of SAR 285.3 million (December 31, 2020: SAR 631.8 million) has been recognised in the statement of income with respect to related deposits with an aggregate of SAR 263.2 million deferred grant income as at December 31, 2021 (December 31, 2020: SAR 688.2 million).

40. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after January 1, 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and

- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Group believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at September 30, 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Group continues to monitor this guidance as it emerges.

The Group has exposure to IBOR rates that are subject to reform through its issuance of sukuk, the structural profit rate position, holdings of investment securities, and products denominated in foreign currencies and, where applicable, associated hedging.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2021 and 2020

During 2020 the Bank has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to the alternate benchmarks as applicable, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, policies, risk management and valuation models, as well as managing related accounting implications. Further, the number and types of contracts which require updates as part of the transition have been finalized. As at September 30, 2021, changes required to systems, processes, policies, and models have been identified and have been partially implemented. The Group has published IBOR transition communication related materials on its website and specific changes to contracts required by the IBOR reform have been finalised. The Group has identified that the key impacted currencies are USD, GBP and EUR and the areas of most significant risk arising from the replacement of these LIBOR's are: updating systems and processes which capture USD, GBP and EUR LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from the IBOR transition and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to the new alternate reference rate and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with USD, GBP & EUR LIBOR replacement.

As at December 31, 2021, Bank's exposure to LIBOR -USD maturing after June 30, 2023 amounted to SAR 9.5 billion for loans and advances and SAR 35.1 billion for notional amount of derivatives.

41. EVENTS AFTER THE REPORTING DATE

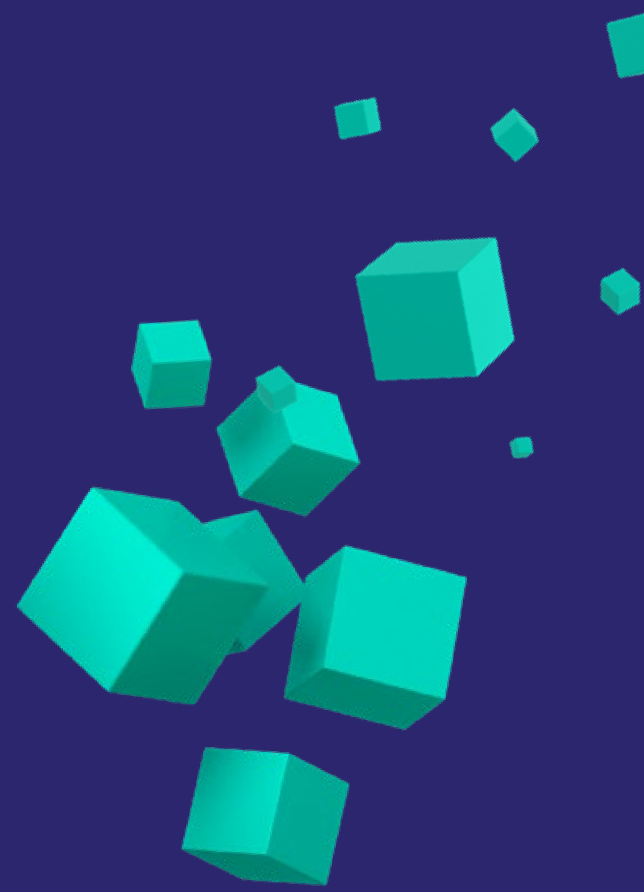
During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuks starting February 16, 2027, 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.

42. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

43. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Shahban 2, 1443H (corresponding to March 6, 2022).



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