unbank the bank

annual report 2022

unbank the bank
Integrated Annual Report 2022

In The Name of Allah
The Most Merciful, The Most Gracious

The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud

His Royal Highness Crown Prince, Prime Minister,
Chairman of the Council of Economic and Development Affairs
Mohammad Bin Salman Bin Abdulaziz Al Saud


مصرف الراجحي
alrajhi bank
15 %

unbank the bank

Really, it is about being the Bank YOU the stakeholder, want us to be. This is the journey we are on; to “unbundle” the Bank we have been up to now; to re-imagine and re-fashion purpose, strategy and action that will lead to Al Rajhi being your partner, a “financial coach” even; an institution that will care for and empower you to be the best you can be. All this achieved through the complex made simple – be it product, process, accessibility, communication and more.

The “unbanked” Al Rajhi is how we will navigate the future…together.

contents

06 overview

26 context

48 business in perspective

مصرف الراجحي
alrajhi bank

The web and mobile HTML versions are published on-line on the same date as the date of issue of this publication at

https://www.alrajhibank.com.sa/ir22/index.html

about the report

Report structure

GRI 2-3

This is an integrated annual report that offers an exhaustive but concise account of Al Rajhi Bank's performance, operations and strategy — as far as it is prudent to disclose such information — over the course of the year that ended 31 December 2022. The report paints a clear, complete picture of the Bank's journey over the year as it created value against trends that shaped its operating environment. This comprehensive integrated annual report is available online in HTML as well as in print and PDF versions.

Report boundary

GRI 2-2 GRI 2-4

The boundary for financial reporting in this document extends to cover Al Rajhi Bank, referred to as "the Bank", and its subsidiaries, which, together with the Bank, are collectively referred to as the "Group". Where applicable, other Group entities are referred to as "Group" or "Consolidated". The reporting focuses on aspects that may substantially affect the Bank's ability to create value over the short, medium and long term, and may have a significant probability of occurrence.

Reporting period

GRI 2-6

This Report covers the 12-month period from 1 January to 31 December 2022 and is consistent with the Bank's conventional annual reporting cycle for financial and sustainability reporting. The Bank's most recent integrated report covered the 12-month period that ended 31 December 2021. There are no restatements of information from previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries.

Compliance

GRI 2-23

Al Rajhi Bank Annual Report 2022 complies with all applicable laws, regulations and standards, and guidelines for voluntary disclosures. Additional details can be found in the chapter on Governance (pages 144 to 173) and in the Financial Statements and the Notes thereon (pages 179 to 306).

The consolidated environmental, social and governance (ESG) data has been prepared in accordance with the following standards, principles, concepts and guidelines:

Sustainable Stock Exchanges Initiative

The Saudi Exchange ESG Disclosure Guidelines (www.sseinitiative.org)

INTEGRATED REPORTING
Now part of IFRS Foundation

The International Integrated Reporting Framework (www.integratedreporting.org)

GRI

GRI Sustainability Reporting Standards – GRI Standards (www.globalreporting.org)

As organisations preparing an integrated report are not necessarily required to adopt the International Integrated Reporting <IR> Framework categorisation of capitals (as provided in the paragraphs 2.10 and 2.17-2.19 in the <IR> Framework), the Bank has categorised the capitals differently in its value creation model diagram to aptly describe its value creation process. The process of preparing this Report continues to strengthen and reinforce integrated thinking across the Bank.

Al Rajhi Bank prides itself on its cognisance of the wider impact of its operations. The Group always takes into consideration the financial, economic, social and environmental consequences of its actions when launching new ventures and initiatives. With its best in class systems and risk management processes, the Bank is in complete compliance with all local regulatory requirements.

The Consolidated Financial Statements as of and for the year that ended 31 December 2022 are in line with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (SOCPA). The Statements comply with the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bank's Articles of Association.

Precautionary principle

The Bank takes great pains to study the direct and indirect impact its actions have on the environment and on society at large. One particular area of interest to the Bank is the indirect consequences of the actions of businesses to whom the Bank lends. The Bank avoids or reduces any such negative impacts through its credit policies, screening for ESG criteria, post-disbursement supervision and risk management processes.

Although the Bank's business model and operations do not directly create a significant negative impact on the environment, every effort is made to reduce its own carbon footprint through initiatives such as solar energy usage, prudent energy, water and waste management, and the elimination of paper usage across its operations.

Queries

Your comments on this Report are most welcome. Please email: IR@alrajhibank.com.sa to send in your feedback on the Bank's Integrated Annual Report 2022.

this is al rajhi bank

GRI 2-23

our vision

To be a trusted leader delivering innovative financial solutions to enhance quality of life everywhere.

our mission

To be the most successful bank, admired for its innovative service, people, technology and Sharia compliance products, both locally and internationally.

history

Al Rajhi Bank is a Saudi joint stock company.

1957

established as an exchange house

1988

converted to a bank under the name Al Rajhi Banking and Investment Corporation

2006

named Al Rajhi Bank

The Bank was formed and licensed in accordance with Royal Decree No. M/59 and Article 6 of the Council of Ministers' Resolution No. 245, both of June 1987.

our values

Our core values articulate why we are the number one bank of choice in the Kingdom.

Integrity & Transparency
Openness and highest standards of corporate and personal ethics in all that we do.

A Passion to Serve Our Customers
A strong commitment to anticipate and address customer needs beyond expectation, helping them achieve their objectives.

Modesty
Humility in thought and deed in everything we do.

Innovativeness
Nurturing imagination and fostering creativity for better results.

Meritocracy
Defining, differentiating and reinforcing excellence in people.

Care for Society
Contributing towards a better tomorrow.

مصرف الراجحي
alrajhi bank

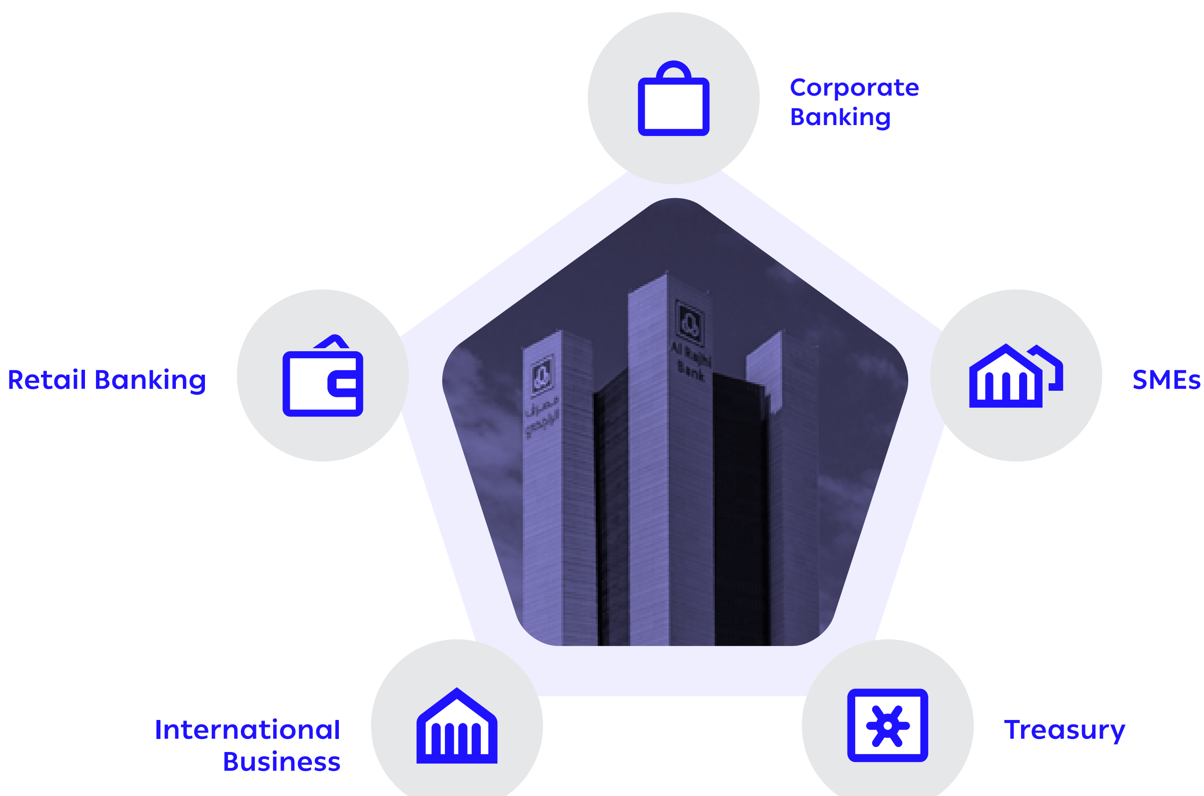
the bank

GRI 2-1

Headquartered in Riyadh, Kingdom of Saudi Arabia, Al Rajhi Bank operates under Commercial Registration No. 1010000096. A member of the Al Rajhi Bank Group, the Bank is listed on the Saudi Stock Exchange (Tadawul) with the Ticker No. RJHI [1120].

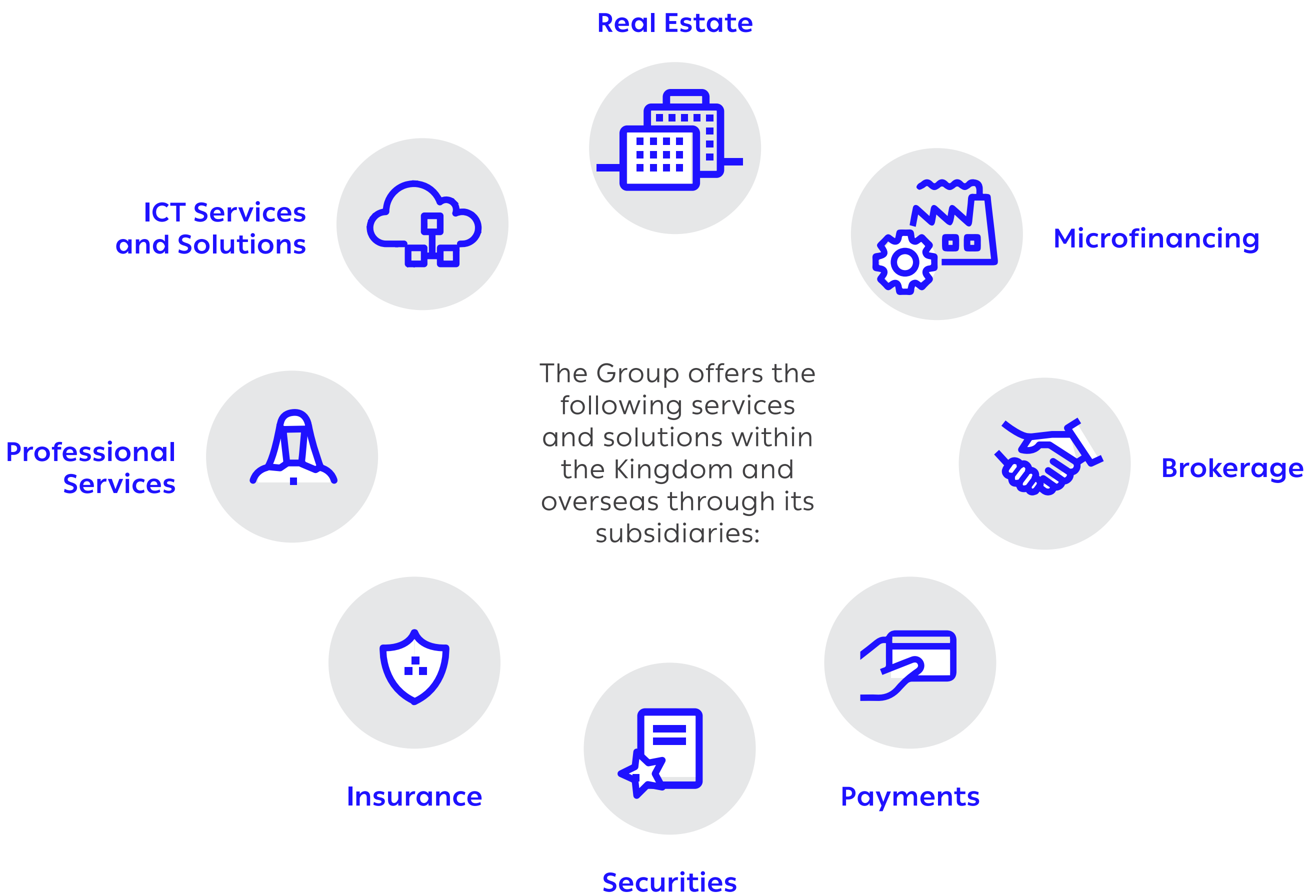
Al Rajhi Bank is the world's largest Islamic bank with SAR 762 Bn. (USD 203 Bn.) in assets, a paid-up capital of SAR 40 Bn. (USD 11 Bn.) and an employee base of over 19,964 associates.

The Bank's business is diversified across the following

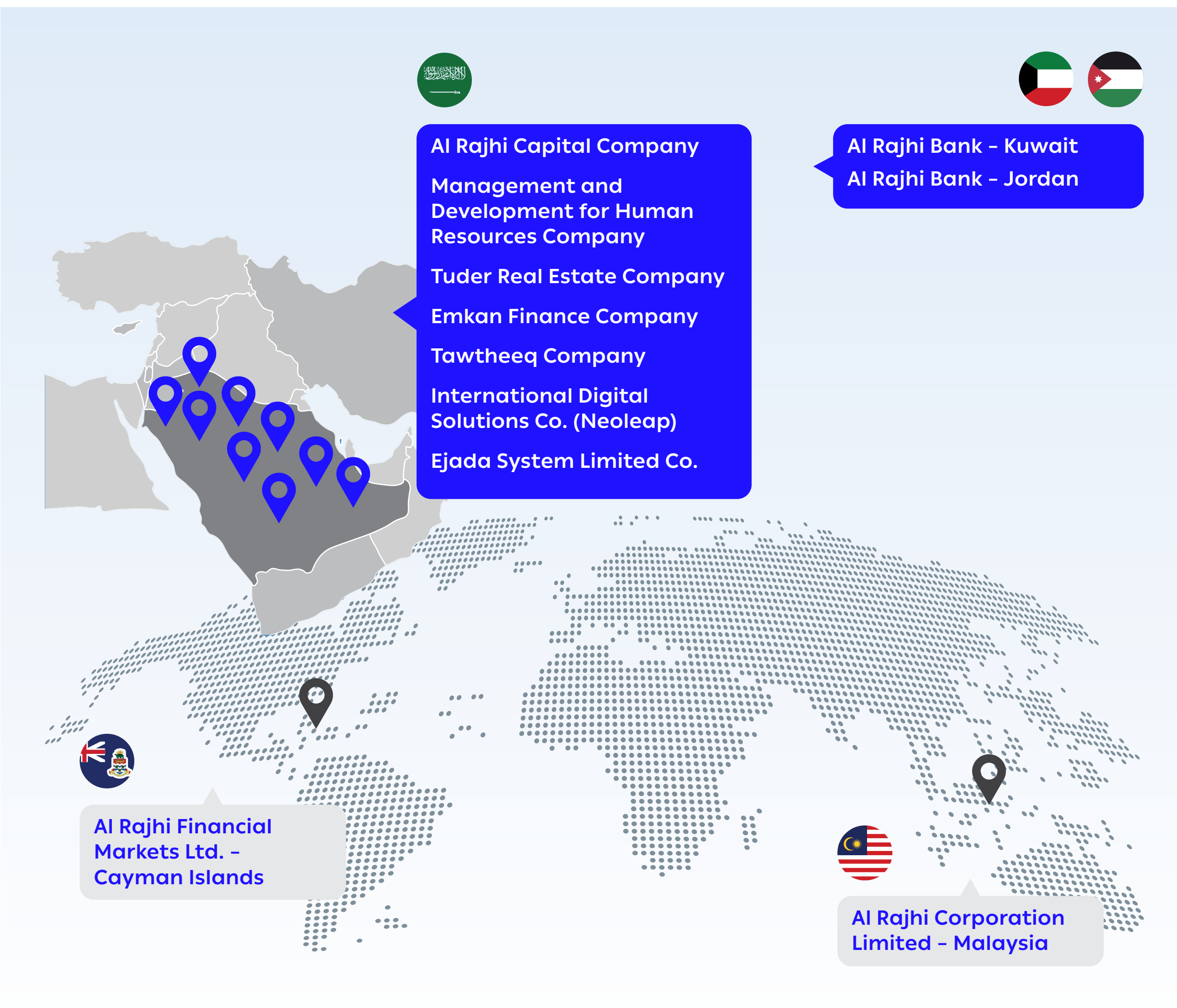


al rajhi bank group

The Al Rajhi Bank Group provides clients with innovative financial products and services that are simultaneously in line with Islamic banking principles and modernity-oriented. The Group is Sharia-compliant and is instrumental in bridging the gap between 21st-century financial demands and intrinsic Islamic values.



Subsidiaries and International Branches in Brief



GRI 2-6

- **Al Rajhi Capital Company – KSA**
  A Saudi closed joint stock company authorised by the Capital Market Authority to carry on securities business in the activities of dealing/brokerage, managing assets, advising, arranging and custody.
- **Management and Development for Human Resources Company – KSA**
  A limited liability company registered in the Kingdom of Saudi Arabia to provide recruitment services.
- **Al Rajhi Bank – Kuwait**
  A foreign branch registered with the Central Bank of Kuwait.
- **Al Rajhi Bank – Jordan**
  A foreign branch operating in the Hashemite Kingdom of Jordan, providing financing, banking, and investments services, and importing and trading in precious metals and stones in accordance with Islamic Sharia and applicable banking laws.
- **Al Rajhi Corporation Limited – Malaysia**
  A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
- **Tuder Real Estate Company – KSA**
  A limited liability company registered in the Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.
- **Emkan Finance Company – KSA**
  A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.
- **Tawtheeq Company – KSA**
  A closed joint stock company registered in the Kingdom of Saudi Arabia providing financial leasing contracts registration to organise contracts data and streamline litigation processes.
- **Al Rajhi Financial Markets Ltd.**
  A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
- **International Digital Solutions Co. (Neoleap)**
  A closed joint stock company owned by the Bank for the purpose of practising technical work in financial services, digital payment systems, financial settlements and related services.
- **Ejada System Limited Co. – KSA**
  A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, system analysis and senior management consultation services.

Strength and reach

- Largest bank in terms of financing portfolio and second largest bank in Saudi Arabia in terms of assets – accounting for 21% of total assets and 25% of total deposits among banks in the Kingdom as of 31 December 2022
- Total Group assets amounted to SAR 762 Bn. as of 31 December 2022.
- A market capitalisation of SAR 301 Bn. as of 31 December 2022
- Diverse traditional and modern channels spanning the Kingdom including:
- 516 branches
- 4,727 ATMs
- 533,442 POS terminals
- 174 Tahweel centres
- Expanding digital banking ecosystem
- Growing mobile banking ecosystem
- Processing the payrolls of around 50% of government employees
- Handling an average of 697 million transactions and over 1.9 remittances per month and partnering with over 200 correspondent banks in around 50 countries
- 19,964 employees at the end of 2022 ranking the Group among the top 10 employers in the Kingdom
- The largest Islamic bank in the world with the largest branch network in the Middle East including 10 branches in Jordan, 2 branches in Kuwait and 13 branches in Malaysia
- Al Rajhi Bank's return matrices remain industry-leading with Return on Equity standing at 22.68% and best in-class Cost to Income ratio at 26.1% and Asset Quality with NPL standing at 0.54% as on 31 December 2022

VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Committed to Vision 2030

The Bank remains one of the Kingdom's main contributors towards the three themes of Vision 2030: a vibrant society, a thriving economy, and an ambitious nation. With a significant number of the goals of Vision 2030 either directly or indirectly connected with finance, the Bank is ideally placed to further the Kingdom's aspirations, policies, and plans in its journey towards realising Vision 2030 in the coming years.

value drivers: 2022 at a glance

Largest Bank in the Kingdom and MENA In terms of market cap

#1

in Retail Banking
Branch Network and ATMs
Microfinancing
Payments
Brokerage

#3

in Corporate Banking as of December 2022 up

4

spots from #7 in 2021

مصرف الراجحي
alrajhi bank

Highest Net Promoter Score (NPS) in the Kingdom

2022 - 75%

2021 – 72%

Customer deposits
2022
SAR 565 Bn.
2021 – SAR 512 Bn.
Increase: 10%

Retail financing
2022
43.6%
market share
2021 – 42.2%

Earnings per share
2022
SAR 4.24
2021 – SAR 3.69
Increase: 15%

value drivers: 2022 at a glance

Total mortgage
2022
SAR 222 Bn.
2021 – SAR 171 Bn.
Increase: 30%

Digital:Manual ratio
2022
92:8
2021 – 90:10

Total capital adequacy ratio
2022
SAR 21.4%
2021 – 17.5%

Total assets
2022
SAR 762 Bn.
2021 – SAR 624 Bn.
Increase: 22.2%

Active digital users
2022
11.4 million
2021 – 9.7 million
Increase: 17.5%

Net income (after Zakat)
2022
SAR 17.15 Bn.
2021 – SAR 14.75 Bn.
Increase: 16.3%

Staff strength
2022
19,964
2021 – 15,078

Employee training days
2022
141,547
2021 – 98,335

Awards

Best Digital Bank in Saudi Arabia awarded by The Digital Banker

Best Mobile Banking Application in Saudi Arabia awarded by Global Business Magazine

Three awards including Leading Digital Bank in Saudi Arabia won at the World Business Outlook Awards

Best Bank in Saudi Arabia awarded by Euromoney

Three awards including Best Digital Payments and Remittance Bank in Saudi Arabia won at the International Business Magazine Awards

The Best Digital Bank at the Global Economics Awards

Best Banking Group in Saudi Arabia at the World Finance Awards

Best Mobile Banking Application in Saudi Arabia awarded by the Global Business Outlook

Best Digital Bank at the Global Banking & Finance Awards

Best Broker and Best Financial Research House awards for the Saudi Market at the Saudi Stock Exchange Awards for 2021

Al Rajhi GCC Equity Fund named the Lipper Fund Award 2022 winner for Equity GCC (Gulf Cooperation Council) over the three- and five-year periods in the MENA Markets category, the MENA Markets Domestic Funds category and the Global Islamic Fund category

Best performance in 2021 in the Saudi equity funds and GCC equity funds categories for the Al Rajhi Saudi Equity Fund and Al Rajhi GCC Equity Fund at the 2021 Sanadeq Awards

Intellectual capital

Al Rajhi Bank prides itself in its wealth of intellectual capital which has, since the Bank's inception, set it apart from the competition. This growing and increasingly sophisticated capital includes intangibles that provide competitive advantage, future readiness and the ability to meet stakeholder expectations at all times, on top of impacting the Bank's total market value. Al Rajhi Bank's intellectual capital also comprises a number of vital attributes that are rarely reflected on the balance sheet, including, among other things, integrity and business ethics, corporate culture, systems and processes, intellectual property, capacity to innovate, accumulated knowledge and expertise, brands, and relationships. (Refer Stakeholders on page 35 for descriptions of other capitals).


مما يتمناه
تفهم
البساطة

five-year summary

Key indicators from the consolidated financial statements for the years ended 31 December 2022.

For the years ended 31 December	2022	2021	2020	2019	2018
Operating results for the year, SAR '000					
Net financing and investment income	**22,172,687**	20,391,936	16,913,017	16,427,723	14,486,985
Total operating income	**28,575,019**	25,716,398	20,721,260	19,484,464	17,319,518
Total operating expenses	**9,452,329**	9,271,608	8,907,641	8,158,106	7,183,616
Net income	**17,150,825**	14,746,211	10,595,548	10,158,527	3,767,953
Total comprehensive income	**16,640,035**	15,190,996	10,676,861	10,292,041	3,665,518
Assets and liabilities, SAR '000					
Financing, net	**568,338,114**	452,830,657	315,712,101	249,682,805	231,758,206
Customer deposits	**564,924,688**	512,072,213	382,631,003	312,405,823	293,909,125
Total assets	**762,366,022**	623,644,628	468,824,723	384,086,576	364,030,844
Total liabilities	**662,140,987**	556,363,064	410,706,205	332,894,919	315,724,978
Total equity	**100,225,035**	67,281,564	58,118,518	51,191,657	48,305,866
Profitability					
Return on average assets (%)	**2.46**	2.70	2.56	2.76	1.04
Return on average equity (%)	**22.68**	23.87	19.94	20.49	7.01
Earnings per share	**4.24**	5.90	4.24	4.06	1.51
Dividend per share	**1.25**	1.40	1.00	3.00	2.76
Regulatory ratios					
Capital adequacy ratio:					
Tier I (%)	**20.27**	16.36	17.99	18.80	18.98
Tier I and II (%)	**21.41**	17.50	19.08	19.87	20.07
Growth					
Al Rajhi Group Staff (Nos.)	**19,964**	15,078	13,445	13,439	13,003
Branches (Nos.)	**516**	521	543	544	551
ATMs (Nos.)	**4,727**	4,891	5,211	5,215	5,006
POS Terminals (Nos.)	**533,442**	326,121	204,549	115,243	83,958

chairman's statement

We have worked at Al Rajhi Bank to enhance our leading role in serving the national economy and keeping pace with these increasing positive indicators, while maintaining our full commitment to providing banking services and achieving the broader goal of sustainable financing, by continuing to implement the "Bank of the Future" strategy.

We are pleased to present to our esteemed customers, partners and shareholders, the Annual Report of Al Rajhi Bank for the year 2022,

which details information on the Bank's performance and achievements. My message will briefly touch upon some of the main milestones in our journey to continue to serve the national economy of our dear country.

After the end of the difficult repercussions of a global pandemic, the world entered a new turn shaped by blurry horizons, uncertainties, stagnation and increasing inflation rates, with a direct negative impact on food production, trade and supply chains around the world, as a result of the Russian-Ukrainian war.

In contrast to that gloomy picture, and with God's help and success, coupled with the vision of our rational leadership, the Saudi economy recorded a positive transformation in 2022, which was resulted mainly by achieving the highest growth rate among the Group of Twenty at 8.7%, according to the World Bank report, with a moderate inflation rate, as a direct result. This was due to the rise in oil prices, the launch of many mega projects in various fields, and the increase in government spending to develop various local industries and activities, in addition to the diversification and continuous growth of non-oil sectors, within the framework of implementing the initiatives and objectives of the Kingdom's Vision 2030, as outlined in the Saudi budget statement for 2023. The Kingdom's gross domestic product in 2022 reached SAR 3.927 Bn.

We have worked at Al Rajhi Bank to enhance our leading role in serving the national economy and keeping pace with these increasing positive indicators, while maintaining our full commitment to providing banking services and achieving the broader goal of sustainable financing, by continuing to implement the "Bank of the Future" strategy that aims to protect and to enhance the Bank's core excellence in the field of retail Banking services, and to achieve digital leadership in the market, while continuing to shift from traditional transactions to digital transactions and enhancing customer experience.

Within the framework of this strategy, the Bank continued during 2022 to enhance its business and services, diversify investment products and open new savings channels, by issuing Sukuk in Saudi riyals fixed at 3.5% per annum. The second offering was completed as a public offering being the first of its kind in the Saudi market, where the Tier 1 Sukuk was offered for public subscription to individuals, financial institutions and companies, with a total value of SAR 10 Bn., with a fixed profit rate of 5.5%. This was covered by 300% of the size of the original issue of SAR 4 Bn. in record time. With an unprecedented turnout of 125,000 investors, through the successful management of Al Rajhi Capital, which reflects – praise be to God – confidence in the Bank's performance, services and initiatives.

An overview of the performance of the Bank and its subsidiaries during 2022 is detailed in this report. The positive indicators continue in various fields, which confirms Al Rajhi Bank's position among the major banks in the world, as the net income after zakat reached 17.2 billion Saudi riyals. Compared to 14.7 Saudi riyals in the previous year, the Bank's assets increased by 22% compared to 2021, reaching 762.4 billion riyals. In the same context, shareholders' equity increased by 24% to reach 83.7 billion Saudi riyals by the end of 2022.

The Bank has continued its support for the Kingdom's Vision 2030 programs by providing the best financial and digital solutions to individual and corporate clients, within the framework of its growing role to support the private sector and support the growth of small and medium enterprises, in line with the direction of our wise government to achieve structural transformations that support long-term growth.

In this context, growth was achieved in the corporate financing portfolio by 57%, the financing portfolio for medium and small companies by 61%, and a growth rate of 30% in the real estate financing portfolio, in a practical application of the Bank's keenness to support efforts to increase citizens' home ownership. In order to encourage the Saudi family to save as one of the goals of the vision, the Bank provides all savings services to customers of the "Zood" savings program and the "Zood Al-Ajyal" savings program, in cooperation with the Social Development Bank.

Fulfilling our social responsibility remains at the top of our priorities. In this report, we provide a detailed presentation of the pioneering role of Al Rajhi Bank in community service under the slogan "Right and Duty" through participation in campaigns to support charitable work through the "Ihsan" platform, in addition to cooperation with the Ministry of Human Resources and Development. Social services continued in the fields of training, rehabilitation and social care for male and female students. The Bank also sponsors the tuition fees for the bachelor's degree in private universities for all orphans with special conditions in all regions of the Kingdom, through the "Al-Rajhi Bank Educational Orphan Care Program", which aims to implement a qualitative initiative with a sustainable impact on society. This is in addition to supporting the Health Endowment Fund and providing many initiatives to care for children with disabilities, financing kidney transplants, establishing a medical center for diabetes, and other areas of health care, while supporting charitable housing initiatives throughout the Kingdom.

Additionally as it is the investment that exceeds every investment, we at Al Rajhi Bank continue to invest without borders in our wealth of human cadre to qualify our employees for excellence in various banking services, and to act as financial advisors who provide innovative financial solutions to clients and companies, as well as to prepare future Saudi leaders. This preparation and qualification takes place through the Al Rajhi Academy Talent Nurturing Center and specialized training programmes, as well as through partnership with a number of international universities. The Bank is also keen to provide opportunities for Saudi women for excellence and career advancement and to confirm their worthiness for work and achievement in all departments, sectors and job levels.

In direct appreciation of its performance, distinction and leadership, Al Rajhi Bank won more awards, including two awards from the "sakani" forum as the best bank and best financing entity in the real estate sector, with the aim of contributing to achieving the aspirations of citizens to obtain housing. In addition to the Best Investor Relations Program award for the second year in a row, along with many awards for the Bank's distinguished digital services, and other awards that are included in detail throughout the pages of this report.

Al Rajhi Bank is aware of the repercussions of climate change, and keeping pace with the Kingdom's drive to develop the "green economy", and although the Bank's business model and operations do not cause a direct negative impact on the environment, every effort is being made to reduce carbon emissions, through initiatives that include expansion in the use of solar energy, the prudent management of energy and water consumption, and the reduction of use of paper in the various fields of the Bank.

In conclusion, we at Al Rahji Bank are honored to express our gratitude and loyalty to The Custodian of the Two Holy Mosques, and His Royal Highness, The Crown Prince, may God support them, for the progress and prosperity that our dear country is achieving in all fields. And because every success is the result of teamwork, we extend our thanks and appreciation to the Ministry of Finance, the Ministry of Commerce the Ministry of Human Resources and Social Development, the Central Bank of Saudi Arabia, the Capital Market Authority, and all government agencies, with abundant thanks and appreciation to our shareholders, our valued customers, and our honorable partners. Our thanks are also extended to the distinguished president and members of the Sharia Board. I also thank my esteemed colleagues, members of the Board of Directors, expressing my utmost pride in our distinguished human cadre, who contribute with dedication and giving, to strengthening Al Rajhi Bank's launch towards new horizons of success, in the service of this benevolent country.

Abdullah bin Sulaiman Al Rajhi
Chairman

managing director and chief executive officer's review

Another year in the journey of excellence for Al Rajhi Bank, a moment in time where we pause to reflect and review a year gone by of achievements.

In 2022, Al Rajhi Bank was able, with the continuous support of the Board of Directors, to continue its outstanding performance in various sectors,

to strengthen its leading position at the local, regional and international levels, and to face all the challenges and difficulties posed by the global economic crises and fluctuations amidst local and regional repercussions.

The Bank was also able to continue the successful implementation of the "Bank of the Future" strategy, which consolidated the Bank's leading position in providing innovative financial solutions, and the optimal use of modern technologies to sustain growth, increase operational efficiency, and achieve increasing value for shareholders. During the year 2022, the Bank worked to develop and enhance its digital capabilities and invest in technological infrastructure, and this resulted in achieving the main objectives of the strategy, the most important of which is maintaining leadership in the retail banking sector in the Kingdom. Further, the shift from traditional transactions to digital transactions widened, as well the number of digital banking customers increased to reach 11.4 million customers. A number of digital services were improved and new features and capabilities were added to provide a unique user experience to retail and corporate customers. As a culmination of these efforts, Al Rajhi Bank's digital banking services were ranked first in the market, according to its Net Promoter Score (NPS) indicators throughout the year.

Additionally, the Bank moved to take advantage of various growth opportunities and to develop its market shares in some sectors that are still in the development stages, including corporate banking services, which witnessed a growth rate of 57%, and the small and medium-sized enterprise sector achieved a growth rate of 61%. The microfinance company Emkan has more than doubled its financing portfolio since its launch. These positive developments have contributed to building and strengthening the Bank's capabilities in these sectors, and increasing its share and profitability to a level that inspires pride and admiration.

The year 2022 witnessed the achievement of more positive results, represented by an increase in net income after zakat, an increase in customer deposits, an overall growth in the assets and liabilities portfolio, a growth in the real estate financing portfolio by 30%, a growth in the market share in retail financing to 43.6%, and an increase in the number of POS terminals by 64%.

Moreover, the impressive results of the Bank's subsidiaries also reflected the Bank's strong performance during 2022. Al Rajhi Capital was ranked by Bloomberg as the number one trader in the global Sukuk market for 2022. ARC was also awarded the "Best Broker" and "Best Financial Research House" awards for the Saudi Market last year.

The company Neoleap seeks to lead and map the future of digital payments in the Kingdom, achieving significant growth represented in increasing numbers of users of the "urpay" smart wallet surpassing more than 3 million users.

Amidst the rapid developments and successful achievements witnessed, and based on Al Rajhi Bank's deep awareness of the importance of fulfilling our social responsibility, we have launched many projects and initiatives in charitable work, health, social, educational and housing fields, which are detailed in this report. These initiatives serve our society and our environment throughout our dear country, as this patriotic duty represents a source of pride for all employees of Al Rajhi Bank, as it is the optimal way to give back to a benevolent country that has provided us so much.

In light of the distinguished position and leadership position enjoyed by Al Rajhi Bank, with its large employee, customer and shareholder base, we understand the necessity of a strong commitment to promoting sustainability and applying the highest standards of environmental, social and institutional governance, as well as applying internationally approved best practices in risk management, all in line with the goals of the Kingdom's Vision 2030, the Saudi Green Initiative and the United Nations Sustainable Development Goals.

In appreciation of the Bank's role in serving the national economy and supporting investment and development throughout the Kingdom, the Bank has won many awards from various international and local institutions, including the best digital bank award in the Kingdom, and the best mobile banking application from Global Business magazine. Best Bank in the Kingdom of Saudi Arabia from Euromoney Magazine, Best Digital Bank from Global Banking & Finance Magazine, Best Foreign Exchange Bank from Global Finance Magazine, and other awards are mentioned in this report.

Keeping in line with the principle of "customer centricity", we are always keen to focus on meeting our customers' needs and increasing our points of contact, while strengthening our competitive position, by growing our presence and participation on social media, applying data-based insights and targeted marketing, while introducing new products and solutions. To meet the growing and evolving needs of customers, and to expand the range of services and solutions through subsidiaries to complete the banking business system, the following initiatives were carried out:

- Review the "Voice of the Customer" indicators and focus on areas that could be a source of complaint in order to maintain our #1 ranking and improving our digital product offering and customer experience.
- Establishing an integrated financial system in which Al Rajhi Bank, Emkan, Neoleap and other subsidiaries cooperate to increase our product offerings and meet the needs of our customers.
- Leverage our large customer base across digital channels, and employ data management technology and artificial intelligence to increase cross-selling opportunities and increase revenue and profits.

Our new slogan "unbank the bank" gains its standing from Al Rajhi Bank's position as a global Saudi brand, amongst the largest in the region, achieving value for its shareholders through advanced digital capabilities. The Bank's acquisition of Ejada Systems Limited had a positive impact on developing our technical capabilities and supporting digital transformation by adopting the latest technologies, to meet the needs and aspirations of customers to obtain innovative financial products and services, thus enhancing our leadership in providing unique banking services and products to individuals and companies.

Every achievement, owing to God's grace, is also built on those minds and arms that accomplish triumphs and provide outstanding performance and innovation. We continue, at Al Rajhi Bank, to invest heavily in the care and development of our employees. We are constantly keen to enhance the experience of employees in this national economic society, and make it an attractive, unique and inspiring workplace, through specialized training and development programs and employee benefits. The Bank provides the necessary infrastructure and technical solutions for employees to work with the highest levels of efficiency and proficiency, and we strive to attract and retain talents in all disciplines. At the same time, we are constantly working on modernizing the infrastructure of the Al Rajhi Bank Academy to provide more digital programs, while emphasizing the importance of the Graduate Development Program in providing a sustainable pool of talent with the aim of preparing future leaders.

In conclusion, we extend our thanks and appreciation to the shareholders, customers and partners of success. With utmost gratitude for the support and guidance of the Central Bank of Saudi Arabia and the Capital Market Authority, and to their Excellencies the Chairman and members of the Board of Directors. Greetings, appreciation and pride, to female colleagues and colleagues, in various departments, sectors and subsidiaries, who continue to participate with their outstanding performance, dedication and commitment, in enhancing the growth of our global national economic edifice, Al Rajhi Bank, towards new horizons of prosperity and success.

Waleed Abdullah Almogbel
Managing Director and Chief Executive Officer

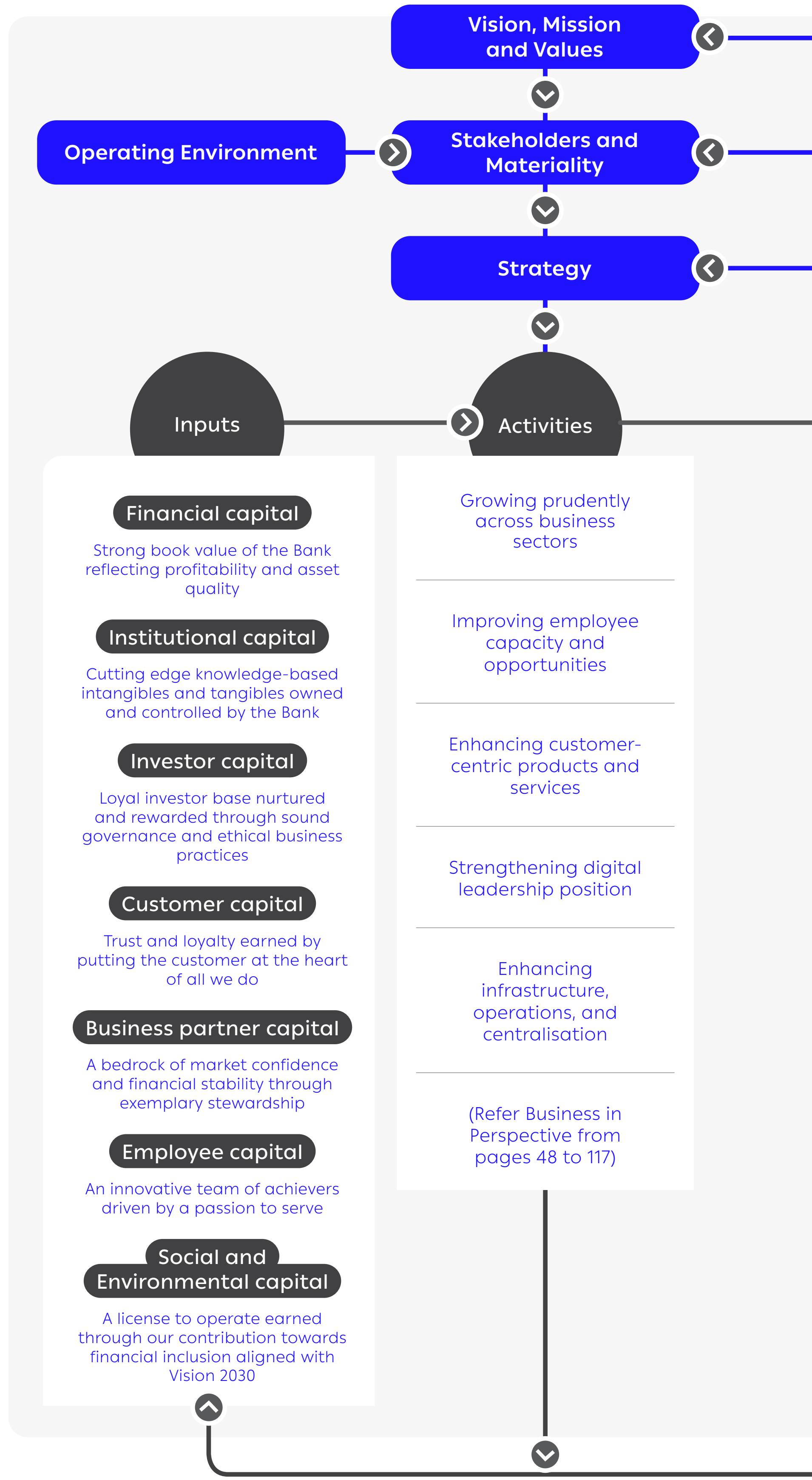
context

26

مصرف الراجحي
alrajhi bank

value creation model

GRI 102-2



value creation model

Stewardship

Monitoring and Evaluation

Outputs

16% YoY increase in net income (after Zakat) to SAR 17.2 Bn.

10% and 30% YoY increases in customer deposits and mortgages respectively

141,547 training days delivered

Employee engagement score reached 74%

Net promoter score reached to 75%

11.4 million active digital users up by 18% YoY

Outcomes

Value delivered:

Improved performance

Timely and responsive customer solutions

Professional development for employees

Enhanced systems and processes

Value derived:

Profitability and stakeholder loyalty

Business portfolio and market share growth

Engaged and empowered employees

Brand value and market leadership

Impact

Move the Bank towards becoming the leading Digital Bank in the region.

Be an integral player in the development of a thriving financial sector and a key enabler of the Kingdom's Vision 2030 by offering services to support private sector growth.

The value drivers

The Bank's value is driven by its Vision and Mission (refer This is Al Rajhi Bank on page 08); engagement with stakeholders (refer Stakeholders on page 35); and integrated thinking and strategy (refer Strategic Direction on page 42). The adoption of a multi-capital mindset is driving the Bank's strategy formulation, powering it further on its integrated reporting journey.

The results chain

The Bank's future earnings are driven by value derived from and delivered to stakeholders. The Bank creates value in this manner sustainably over time as it continues to build and strengthen relationships with its key stakeholder groups. The Bank considers such stakeholder groups to be forms of "capital".

In addition to financial capital and Institutional capital, other capitals include investor capital, customer capital, business partner capital, employee capital, government and regulator capital, and social and environmental capital (refer Stakeholders on page 35). Together, these capitals provide the "inputs" for the Bank's activities, enabling delivery of value to and deriving of value from stakeholders over time.

The Bank's system for transforming input capitals through business activities into outputs, outcomes and impact is illustrated in the Value Creation Model on page 28. Each segment that follows "Inputs" is part of a results chain that represents value creation in the current, short, medium, and long term respectively.

Completing the picture

The business drivers and the results chain described previously are complemented by events and trends in the internal and external operating environment (refer Operating Context on page 31), good governance (refer Governance on page 144) risk management practices (refer Risk Management on page 144), and the ongoing monitoring and evaluation of the Bank's performance in the current, short, medium, and long term.

Despite the vibrant nature of the value creation process – where the capitals are constantly rising, falling, or being preserved – the Bank remains focused on increasing the overall stock of capital (refer Business in Perspective on page 48).

operating context

The International Monetary Fund (IMF) recorded 3.4% growth in the world in 2022 driven by better-than-expected performance of advanced economies. 2023 will see 2.9% growth before rising to 3.1% in 2024 driven by "surprisingly resilient" demand in the United States and Europe, easing energy costs and the reopening of China's economy, but limited by the rise in central bank rates. High inflation, rising energy prices, a geopolitical crisis and supply chain disruptions around the globe defined a near-tumultuous year, leading to much uncertainty and trepidation in markets worldwide.

However, despite the grim global outlook, Gulf Cooperation Council (GCC) countries fared well in the reporting period, with individual GCC economies expanding significantly by the end of the year. The Kingdom of Saudi Arabia in particular reported a 8.7% growth in 2022 fuelled by rising oil prices and a boom in economic activity, driving profits for financial institutions in the region, monetary tightening notwithstanding.

Al Rajhi Bank, one of the world's largest Islamic banks, skilfully navigated global headwinds that threatened to destabilise entire markets while contending with challenges faced regionally and locally during 2022, coming out on top as an industry behemoth in the MENA region.

Global trends

With global growth slowing from 6.0% in 2021 to 3.4% in 2022, fear of a global recession loomed large as the year came to a close; a period rife with rising inflation and high cost-of-living, both of which had a significant impact on banks around the world. Unexpected inflation hurt lenders due to the decline in purchasing power of their money during the life of the loan, and banks, as net monetary creditors, would decrease the value of their nominal assets due to rising prices that let the value of their nominal liabilities diminish.

Higher prices reduced consumer purchasing power in 2022, giving rise to lower demand for credit. This slowdown in credit growth resulting from lower consumer confidence and deferred investments from corporates and influenced the price of assets, thereby decreasing their net to value.

The Ukraine crisis and other unforeseen geopolitical developments led to friction in trade relations and supply chain disruptions not observed in years. With over USD 100 Bn. of Russian debt held by foreign banks, concerns were raised about the risks posed to banks outside Russia and the potential for a default to trigger a liquidity crisis similar to the one that occurred in 2008. Banks faced stress tests from the impact of energy crisis defaults in the wake of the conflict, with the potential of higher energy prices resulting in higher costs for consumers and industries, translating to reduced cash flows to fund their financial engagements.

Towards the end of the reporting period, the bear market in stocks was intensifying as forecasted. Mortgage rates globally had more than doubled, corporate credit spreads were widening, and the value of the dollar was soaring against most currencies.

Growing debt in developing nations during the reporting period exposed banks with large holdings of sovereign debt to losses, with government finances coming under pressure, leading to the decline of government debt market value. This forced banks – especially those with less capital – to curtail lending to companies and households, further slowing economies, adding more pressure on government finances, and further squeezing banks.

Central banks around the world rushed to tighten their monetary policy in the face of near-runaway inflation and fast-depleting forex reserves. New investments were halted as governments across the world attempted to contain fiscal deficits by controlling expenses, and normalising supply chains.

Apart from such regulatory changes, the global financial sector also continued to be impacted by the drive towards digitalisation as well as the demand for sustainable financing during the year under review.

Regional trends

Against a backdrop of global economic upheaval, GCC economies recorded notable levels of expansion in 2022, with the Kingdom of Saudi Arabia outperforming developed nations as well as emerging economies to become the world's fastest growing economy in 2022, registering a growth rate of 8.7% for the year.

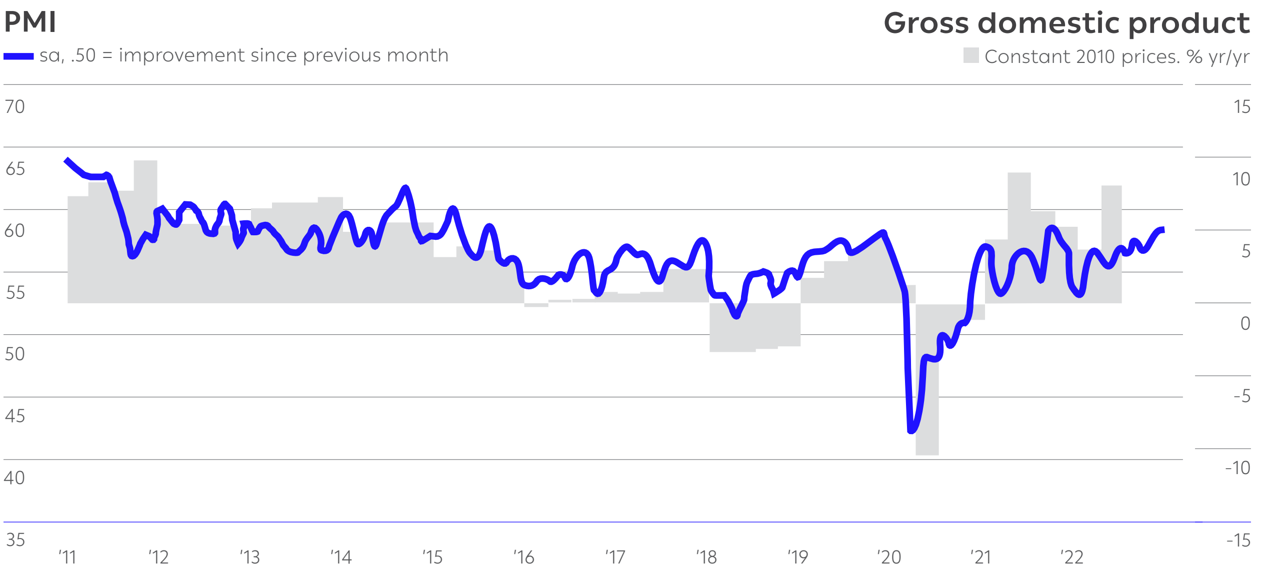
Regional Central Banks increased their interest rates following the US Fed monetary tightening policy due to GCC currencies being pegged to the USD. However, GCC countries maintained lower levels of inflation than the rest of the world in 2022, benefiting from the ability to provide lower energy prices to their citizens. Subsidies supported by surpluses in fiscal balance further eased inflationary pressures.

A regional-level warming to a less hydrocarbon-dependent, diversified economic model opened up new possibilities for a more sustainable growth strategy during the reporting period, as the world becomes increasingly forced to transition into a low-carbon economic environment.

2022 was also notable for increased profitability levels of banks across the GCC region, with many banks recording profits higher than pre-pandemic levels. The key drivers of this profit boom were fiscal stimulus by the government and spending backed by higher oil prices, which in turn supported the expansion of economic activity. The cost of risk stabilized by returning to normalized levels by the second half of the year, offset by higher net interest margins as well as adequate provisioning. Lending growth of GCC banks accelerated in 2022 compared to 2021 due to greater economic activity and improving sentiment based on high oil prices.

Local trends

The Kingdom's impressive growth in 2022 was supported by proactive structural and fiscal reforms that were implemented within the framework of its deeply ambitious and comprehensive Vision 2030 strategy, which set a strong foundation for a diversified economy and enhanced the growth in non-oil sectors at sustainable rates over the medium-term.



The Government of Saudi Arabia, through Ministry of Finance and Saudi Central Bank (SAMA), took several steps to contain inflation during the reporting period such as capping energy prices, introducing SAR 20 Bn. support package, applying fiscal discipline, and increasing repo and reverse repo rates, which enabled the Kingdom to control local inflation despite global inflationary pressures.

The Kingdom continued to attract more foreign investment flows through Vision 2030 Programmes and new investment opportunities across multiple sectors. Vision 2030 megaprojects such as AMAALA, Green Riyadh, NEOM, Qiddiya, ROSHN and The Red Sea project continued to expand the Kingdom's economic, social, technological and cultural diversification at an impressive scale during 2022. Meanwhile the push for non-oil sector investments saw focus shift towards diverse industries, from Aerospace and Defence, Transport and Logistics, and Food and Agriculture, to Metals and Mining, Utilities and Renewables, Consumer Goods and Retail as well as Financial Services, with the Kingdom's scheduled launch of Open Banking services in 2023.

Commercial and industrial real estate continued to see benefits of economic growth, as well as the relocation of offices of international firms into Saudi Arabia, a direct impact of the investment opportunities unlocked by Vision 2030.

The Kingdom's Saudisation agenda continued steadily in 2022, with more women being integrated into the workforce. This was evidenced by the Kingdom's first place ranking in labour force growth rate among the G20 countries during 2012 – 2021, according to a recent report published by the National Labour Observatory.

The public sector also continued to fast adapt to international labour market demands in competency and productivity supported by the rapid digitalising of services, nurturing a competent labour market with a stronger value proposition for private sector partnering.

The Public Investment Fund (PIF) and the National Development Fund (NDF) – the financial arms of the government – continued to play an important role in supporting regular events of the calendar year return back to pre-pandemic levels, including Hajj, Umrah, the Saudi Seasons, and tourism in general.

S&P Global – a leading global provider of credit ratings, benchmarks and analytics, in the Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI®) at the end of December, recorded an increasing headline index of 56.9, signalling the ongoing marked expansion of the Kingdom's non-oil private sector economy. Growth was underpinned by strong gains in both output and new orders, whilst firms continued to bolster their purchasing activity.

The December 2022 Primary Consumer Sentiment Index (PCSI) showed that the Saudi Arabia's IPSOS PCSI was 70.3, reaching the top of the global list. The score for the reporting period peaked at 71.3 in June.

Sector-specific trends

During 2022, the Saudi banking sector supported the implementation of Vision 2030 projects and Vision Realisation Programmes (VRPs), contributing towards enhancing investments and stimulating projects across multiple sectors, while also giving rise to the contribution of domestic content.

The budget for 2022 released by the Saudi Ministry of Finance indicated economic recovery as a key pillar for the year's fiscal outlook, with expansion expected to help support the budget position and debt levels as a portion of GDP. The Kingdom's banking sector identified a number of key focus areas in line with Vision 2030, including Mortgage, Tourism, and Transport and Logistics.

Beyond the conventional risks, the Kingdom's banking sector was also impacted by a number of emerging risks in 2022; these included cyber risk due to the intensifying financial activity online; digitalisation risk due to potential inadequacies in digital transformation; fintech risks in rapidly growing and aggressively competitive open banking environment; and long-term asset risks rising from declining value of fixed rate assets.

Despite a number of challenges, Saudi Banks witnessed robust growth in profitability in 2022 underpinned by higher total interest income and lower impairment charges, resulting in a return on assets (RoA) of 1.99%. Industry wide loan-to-deposit ratio (LDR) continued to increase during the year, with the sector also exhibiting improvement in cost efficiencies stemming from growth in operating income, resulting in an improving cost-to-income (C/I) ratio.

Increased interest rates continued to feed the Saudi banks' margins. Credit to the private sector expanded due to growth in mortgage owing to market saturation, and a Vision 2030-backed increase in demand for corporate credit. However, heightened liquidity pressures stemming from faster credit growth than expected will lead banks to find alternative source of funding since liquidity will be a key driver in credit growth in 2023.

Due to this year's strong performance, Saudi banks are touted to enter an uncertain 2023 on solid footing, with the expected slowdown of the global economy, compounded by potential liquidity constraints.

Key stakeholder groups

GRI 2-29

Identifying stakeholder groups and understanding the mutual beneficiality of constantly evolving relationships between the Bank and each group remains critical to the successful implementation of our BOTF strategy. The Bank is keenly aware of how emerging trends in the operating environment affects its ability to sustainably deliver value to each stakeholder group, and to derive value from them in turn. Al Rajhi Bank considers it an utmost priority to understand its stakeholders and their concerns, and goes to great lengths to stay informed by effectively and frequently engaging with those that matter most to its operations.

The range of stakeholders that directly or indirectly impact the Bank's performance, and are impacted by the Bank's performance, is extensive, but by categorising them as follows, Al Rajhi Bank has been able to better manage stakeholder relationships by incorporating their concerns and expectations into our strategy, and drive sustainable value creation.

Investors

Customers

Business partners

Employees

Government Authorities and Regulators

Society and Environment

Stakeholder engagement process

GRI 2-16

The Bank maintains a continuous stakeholder engagement process as demonstrated in the graphic below. It is a process that ensures the Bank remains engaged and responsive to meet evolving challenges, sustain and improve our business model, and provide timely and reliable communication and solutions to address stakeholder concerns.

Mode and frequency of stakeholder engagement

Stakeholder Group	Topics of Engagement	Mode of Engagement	Frequency of Engagement: ANN	QUA	MON	AR	CON
Investors	• Financial performance • Strategy • Governance • Shareholder returns • Business expansion plans • Risk management • Sustainable growth	General Assembly Meeting	✓				
		Extraordinary General Meetings				✓	
		Annual Report	✓				
		Interim financial statements		✓			
		Investor earnings call		✓			
		Investor roadshows and presentations				✓	
		Investor disclosures		✓			
		Press conferences and releases				✓	
		Announcements made on the Saudi Stock Exchange				✓	
		Corporate website					✓
		One-on-one discussions				✓	
		Feedback surveys				✓	
Customers	• Banking hours • Customer security and privacy • Service quality • Financial inclusion • Affordability of services and convenience • Grievance handling mechanism • Financial education and literacy • Financial support for revival of business • Specialised needs	Branches					✓
		Service centres					✓
		ATM network					✓
		Online banking					✓
		Mobile app					✓
		Corporate website					✓
		Print and electronic media				✓	
		Social and conventional media					✓
		Customer satisfaction surveys				✓	
		Customer visits				✓	
		Customer queries and complaints				✓	
		Net promoter score					✓

Stakeholder Group	Topics of Engagement	Mode of Engagement	Frequency of Engagement: ANN	QUA	MON	AR	CON
Business Partners	• Contractual performance • Future business opportunities • Maintaining healthy relationships • Timely settlement of dues • Ease of working • Growth potential • Collaboration for new technological advances in the financial sector	Supplier relationship management				✓	
		On-site visits and meetings				✓	
Employees	• Performance standards • Career planning • Training and development • Corporate values • Corporate strategies and plans • Trends in banking • Saudisation • Remuneration and benefits • Employee loyalty and recognition • CSR programmes	Induction and training programmes					✓
		Key performance indicators					✓
		Al Rajhi Academy					✓
		Career development guidance	✓				
		Internal communications				✓	
		Staff societies				✓	
		Volunteerism				✓	
		HR Management System					✓
		Employee Loyalty Rewards App					✓
		Employee satisfaction survey				✓	
Government Authorities and Regulators	• Financial performance • Strategy • Governance • Shareholder returns • Business expansion plans • Risk management • Sustainable growth • Saudisation • Employment opportunities • Microfinance and SME	Consultations				✓	
		Relationship building meetings				✓	
		Informal briefings and communications				✓	
		General Assembly Meeting	✓				
		Extraordinary General Meetings				✓	
		Annual Report	✓				
		Interim financial statements		✓			
		Announcements made on the Saudi Stock Exchange				✓	

Stakeholder Group	Topics of Engagement	Mode of Engagement	Frequency of Engagement				
			ANN	QUA	MON	AR	CON
Society and Environment	• Financial inclusion • Affordable financing for disadvantaged segments • Community empowerment • Assistance for disadvantaged and vulnerable groups • Saudisation • Employment opportunities • Microfinance and SME • Environmental performance	Delivery channels					✓
		Press releases and media briefings				✓	
		Informal briefings and communications				✓	
		Public events				✓	
		Corporate website					✓
		Educational projects				✓	
		Youth and employment projects				✓	
		Microfinance for women				✓	
		Programmes for SMEs				✓	
		Assistance to the needy and vulnerable				✓	

ANN – Annually | QUA – Quarterly | MON – Monthly | AR – As Required | CON – Continuous

materiality

Determining materiality

GRI 3-1 GRI 3-2 GRI 3-3

During the reporting period, Al Rajhi Bank conducted its annual materiality assessment to prioritise the environmental, social and governance (ESG) topics that are most important to its stakeholders and its business. The topics prioritised in 2022 were identified in 2021, following a local and global peer benchmark comparison conducted by the Bank together with one of the largest pure play sustainability consultancies in the world.

Al Rajhi discovered a number of immediate and long-term opportunities following the comprehensive assessment that would align the Bank with global best practices in its overall approach to materiality, and enable the Bank to create value across an evolving ESG landscape.

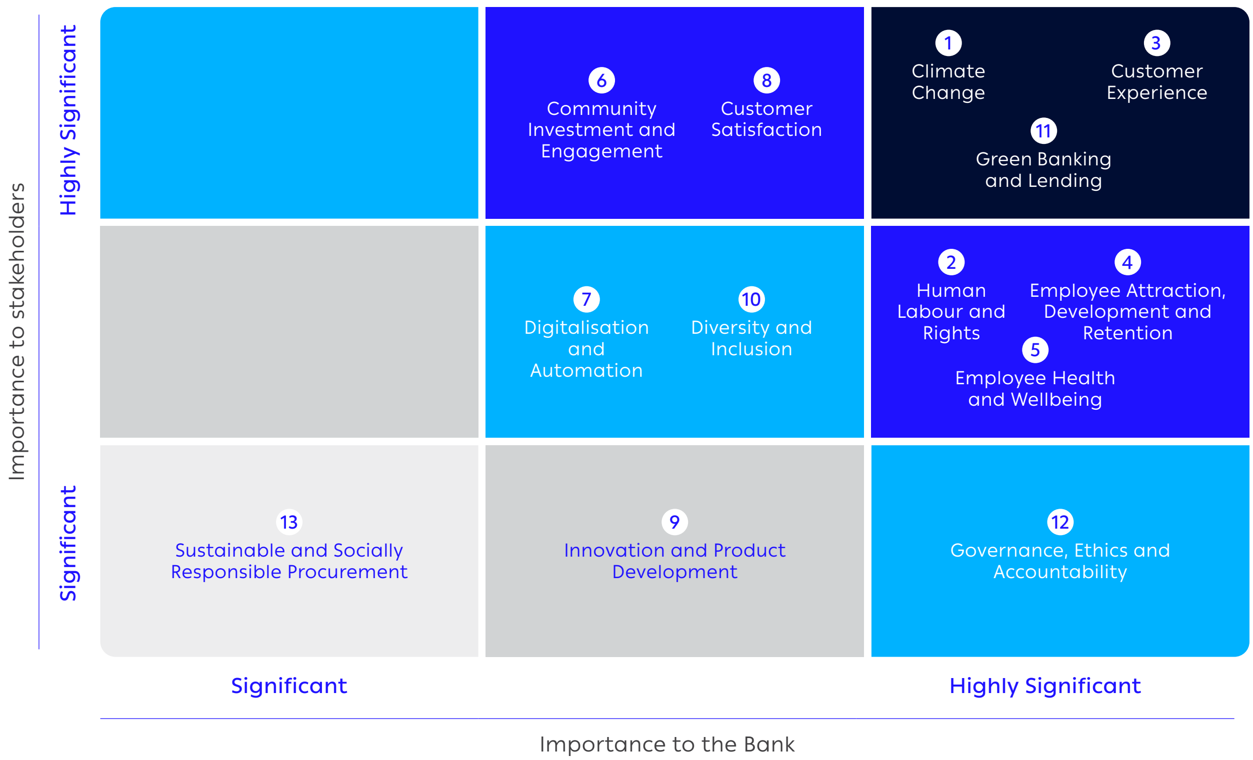
This included a concise list of 13 ESG-based material topics that would serve as the basis of the Bank's ESG Report (pages 118 to 134), which references the Saudi Exchange ESG Disclosure Guidelines, and support the Bank's ESG strategy, which was developed following the materiality assessment.

ENVIRONMENTAL	SOCIAL		GOVERNANCE	
1 Climate Change	2 Human Labour and Rights	5 Employee Health and Wellbeing	7 Digitalisation and Automation	11 Green Banking and Lending
	3 Customer Experience	6 Community Investment and Engagement	8 Customer Satisfaction	12 Governance, Ethics and Accountability
	4 Employee Attraction, Development and Retention		9 Innovation and Product Development	13 Sustainable and Socially Responsible Procurement
			10 Diversity and Inclusion	

Al Rajhi Bank's materiality determination process

Materiality matrix

Following the annual materiality assessment during the reporting period, each materiality topic was mapped accordingly onto the Al Rajhi materiality matrix, rated from significant to highly significant in importance, enabling the Bank to closely align its strategic direction with stakeholder expectations.



Management approach

Material topics are relevant to management, particularly where the Bank's business strategy, resource allocation, and activities are concerned, and are assigned to the relevant Heads of business or functional units through its strategic planning process. Resource allocation is based on the degree of materiality of any particular risk or opportunity.

In line with the materiality determination process, the Bank continues to formulate and roll out policies and embed goals, targets and KPIs that are reviewed at regular intervals, to ensure its employees achieve all objectives with regard to material matters.

strategic direction

Al Rajhi Bank continued to successfully implement its Bank of the Future (BOTF) Strategy which is well aligned to the objectives of the Kingdom's Vision 2030 in order to harness its economic and diversification opportunities. Key drivers of this success, have been the comprehensive upgrade of technology capabilities across Al Rajhi Bank and the Bank-wide implementation of its new Operating Model – "unbank the bank"

The Bank of the Future Strategy (2021 – 2023)

Build on the Core

- Grow Retail including Private Sector
- Expand Corporate
- Bank of Choice for SMEs
- Grow Demand Deposits
- Improve Revenue Mix

Outperform Our Competition

- Customer Experience
- Preferred Employer
- Market Share
- Preferred Loyalty Program
- Leader in Financial Conduct

Transform Technology

- Digital Core Banking Platform
- Data Leader for Customer Insights
- Modernize our technology
- Leverage our Infrastructure
- Adopt Agile Delivery

Focus on New Client Needs

- Become Leading Finance Company
- Develop Best Payments Solution
- Grow Private Banking
- Expand customer reach
- Deepen Relationships via X-Sell

The BOTF Strategy focuses across four key verticals: **"Build on the Core"** aims to protect and grow Al Rajhi Bank market share of Retail, Corporate and Micro, Small and Medium Enterprise (MSME) Banking which are key areas of the Bank's traditional competence; together with the Affluent customer segment and Treasury portfolio. The second pillar – **"Outperform Competition"** ensures Al Rajhi Bank Operates at a consistently high level for the benefit of customers, staff and the communities in which it operates as well as adopting and maintaining high standards of regulatory compliance; in order to strengthen its reputation as the Bank of choice for both customers and employees. The third vertical **"Transform Technology"** represents the Bank investments in future fintech including the continued development of digital, scalability through cloud and agile business and engagement methodologies. The fourth vertical to **"Fulfil New Client Needs"** focuses on adjacent opportunities that can leverage the Bank's core capabilities and scale and quality of the Bank's customer franchise, including the new fintech businesses of Emkan in Consumer Finance and Neoleap in Payments in addition to Private Banking and the Bank's Marketplace; together with a focus on meeting more customer needs through cross-selling.

The corporate synergy of Al Rajhi Bank

The successful delivery of the Bank's corporate synergy of specialised business units supported by scalable and efficient back-end capabilities, is evidenced by the Bank retaining its leading position across a number of business segments in 2022. Al Rajhi Bank was the number one bank in the Middle East region in terms of market capitalization; with increased market share across all products and segments. This also meant the Bank closed the year by retaining its number one position in KSA across Retail Banking, Net Financing, Micro Financing (with Emkan holding top position in Consumer Finance), Payments (leader in issuing, acquiring and remittances) and Brokerage. These achievements were complemented by a substantial gain in market position in Corporate Banking, with Al Rajhi Bank rising from the top 10 in 2019 to the top three Corporate Banks in KSA in 2022.

Such focused efforts to meet rapidly changing customer needs ensured that Al Rajhi Bank retained its leading position in customer satisfaction, as measured by the Net Promoter Score (NPS) in the Kingdom for the year under review, a reflection of the Bank's commitment to enhance financial accessibility and financial inclusivity across the Kingdom in line with Vision 2030.

Build on the Core

Al Rajhi Bank continued to defend and grow its core franchise market share in line with BOTF strategy objectives during the year under review. In Retail Banking, Al Rajhi Bank aligned with the Kingdom's economic and social transformation program Vision 2030; including the pivot to Private Sector growth. This resulted in the Bank redefining its risk appetite and propositions to meet the evolving demands of the Private Sector, recording a 18% growth on retail financing for the reporting period. Significant improvements in the Bank's value proposition and Relationship Management capabilities addressed emerging needs and increased market share of the Kingdom's growing Affluent Segment.

A 42.9% market share in mortgage in 2022 highlighted Al Rajhi Bank's contribution to the Kingdom's Vision 2030 target of increasing Saudi homeownership to 70%, with the Bank successfully balancing its product portfolio between government-subsidised Real Estate Development Fund (REDF) products and non-REDF products during the year. The Bank also grew its Personal Financing as well as its Auto Finance market share by focusing on product development, process improvements and strategic marketing campaigns, complemented by digital migration.

Al Rajhi Bank's Corporate Banking segment continued its growth momentum backed by a disciplined approach, taking a substantial leap from eighth ranked Corporate Bank in 2019 to third in terms of market share as of December 2022. This growth has been broad-based, with the Bank expanding its focus from new clients to more tailored products, and restructuring cash management solutions to improve working capital solutions. With the growth in assets being matched by an offsetting growth in liabilities, Al Rajhi Bank is fast becoming the primary bank of choice for the Corporate Segment for both deposits and funding.

By retaining and building on its leading 37.5% market share in merchant acquiring, Al Rajhi Bank was able to grow its Small and Medium-sized Enterprise (SME) business during the reporting period. The Bank increased lending against POS payment cash flows, and is continuing to build a full set of lending products to meet the needs of the Micro and Small Business sector. This growing customer segment is set to benefit from the Bank's investments in automation and enhanced user experiences; aligning with the Kingdom's Vision 2030 to increase the contribution of SMEs to its GDP.

The Bank also experienced a growth in total deposits in 2022 through a combination of efforts; the unrivalled reach across the largest branch network in the Kingdom, growth of Affluent, SME and Corporate business verticals, and the application of more advanced analytics. The UrPay digital wallet introduced by the Bank's fintech subsidiary Neoleap largely helped to both retain as well as grow balances, and became the fastest growing wallet in KSA since its launch in 2022.

As a result of growth across all core banking verticals; with the Bank securing a greater share of business; fee income as a proportion of both the Bank's total operating income and total operating expenses increased significantly during the reporting period, improving the Bank's revenue mix.

Outperform Our Competition

Al Rajhi Bank enjoyed the leading Net Promoter Score (NPS) in the Kingdom's banking and financial services sector for the reporting period – a strong measure of consistent customer satisfaction across all segments, services and related products, also translating to an increased customer franchise value for the Bank in the long-term. Beyond the enhanced digital journey and enriched functionalities that greatly contributed to an unrivalled NPS; the Bank also established a consolidated, dedicated standalone Group Contact Centre in Qassim in 2022, to further enhance customer experience while also providing back-end support to the business.

The Qassim Contact Centre is also fully staffed by a newly recruited female team, contributing towards Saudi Vision 2030 female empowerment targets, whilst also strengthening the Bank's reputation as a highly preferred employer in the Kingdom. Attracting, retaining and developing the next level of talent continued to be a priority at Al Rajhi, with the Bank increasing the number of participants in its Graduate Development Program (GDP), and equipping them with specialist capabilities in emerging tech including digital technologies and cybersecurity among other focus areas. In line with the BOTF Strategy, the Bank also remained on track to increase its proportion of qualified employees through the recruitment of graduates outside the GDP, placing significant focus on training via the Al Rajhi Bank Academy and nurturing a stronger, more capable, more adaptable workforce to cope with the variety of challenges that lie ahead.

The Bank's loyalty programme Mokafaa continued to grow its membership to 6.2 million customers during the year under review and retained its position as the Kingdom's preferred loyalty programme. Supported by advanced data analytics and more rapid responses to changing customer behaviour, Mokafaa delivered an integrated value proposition in terms of customer choice, merchant coverage and redemption offers; successfully attracting and on-boarding the largest and most diversified merchant network in the Kingdom, totalling over 126 instant-redemption merchants.

Al Rajhi Bank continued to embrace and encourage sustainable best practices, continuously improving its third-party ESG ratings as a result of its operations as the World's largest Islamic Bank. Al Rajhi Bank also concluded the biggest ESG and Sharia-compliant syndication in the Middle East in 2022, becoming the first Islamic Bank in the world to do so.

Al Rajhi Bank also has done much to prepare for the changes to regulatory guidelines and technical standards being introduced as part of the Open banking framework announced by the Saudi Central Bank (SAMA) in 2022; ahead of the launch of Open Banking services in the Kingdom in the first quarter of 2023. The initiative aims to empower customers with the authority to securely share their banking and financial data held by their banks with trusted and authorised third parties. Given Al Rajhi Bank's farsighted investments in fintech, and the synergies between the Bank and its subsidiaries going beyond banking to other solutions; Al Rajhi Bank is equipped with the infrastructure, systems, expertise and capacity to successfully move to Open Banking, reducing friction in financial services to enable the Kingdom's digital economy, while exploring new market opportunities in a highly competitive environment.

Transform Technology

A key success story stemming from the BOTF Strategy is the unprecedented pace and scale of digitization implemented by the Bank during the reporting period; one that sets the benchmark for sector-wide technology transformation across the Kingdom. Al Rajhi Bank successfully completed the replacement of its core Corporate Banking and Treasury systems, while making significant progress in both the extensive Retail Core Banking System replacement and Card Platform replacement projects during the year under review. These transformation projects support the Bank's overarching goal to become a more scalable, real-time and future-fit financial solutions provider.

The Bank leveraged data-driven insights to enhance responsiveness across its customer segments, expanding its omni-channel reach to provide personalised solutions and offers to customers in real-time; further increasing customer engagement and enhancing customer satisfaction.

Operations and Contact Centre functions across the Group were centralised during the reporting period and absorbed under a newly established entity Tanfeeth, greatly improving operational efficiency. This level of high efficiency and performance was achieved largely through modernising technology, broad scale implementation of robotics as well as the re-engineering and automation of processes. With greater potential for expansion in an untapped market, Tanfeeth will explore further levels of efficiency and offer unrivalled customer experience.

Al Rajhi Bank was able to leverage both its agile culture and agile delivery approach during the reporting period as demonstrated by the pace and scale of its implementation of the BOTF strategy; particularly with the adoption of "Lean and Agile" methodologies across the Group operations, which enabled the Bank and its subsidiaries to rapidly adapt and evolve to changing market conditions and emerging opportunities.

Focus on New Client Needs

One of the BOTF Strategy's greatest successes comes from Emkan Finance, which continued its strong growth due to the appeal of its convenient digital offering, becoming the Kingdom's leading microfinance company during the reporting period. Positioned for further growth, Emkan continues to open up to new market segments previously unserved by the Bank, and has a pipeline of products currently in development to meet the needs of this growing customer segment.

With payment solutions becoming a point of entry for new players in the financial services sector, the Bank continued to defend and grow its already leading position in merchant acquiring through its fintech subsidiary Neoleap. The subsidiary offers a full set of Business-to-Business (B2B) solutions across E-Commerce and Marketplace with Point-of-Sale (POS), Electronic Cash Register (ECR) and Third-Party Processing solutions, servicing the entire value chain of merchant activities. In terms of Business-to-Consumer (B2C) payment solutions, Neoleap's highly successful digital wallet UrPay became the fastest growing electronic wallet in the Kingdom due to its appealing value proposition; attracting over 3 million registered customers by the end of the reporting period.

Al Rajhi Bank has been focused on strengthening its Private Banking offering to retain and grow customer deposits, and enhancing its Relationship Management capabilities to better meet evolving high net worth customer needs during the reporting period. The Bank introduced innovative investment products among other solutions, complemented by exclusive benefits including an exclusive Credit Card offering comprising a concierge service, membership to the leading loyalty program in KSA, dedicated Private Banking Centres and highly proficient Relationship Managers for enhanced customer servicing.

While growing in active customer numbers in line with the BOTF Strategy, Al Rajhi Bank strengthened relationships with its customers through a "needs-based" cross-selling approach, increasing the number of products per customer. This is supported by the Bank's materially improved analytics and AI capabilities, which are assisting in identifying and offering customer-specific solutions across the most relevant channels in real time. Application and servicing also evolved with improvements to customer journeys, enabling customers to explore a range of financial solutions from members of Al Rajhi Group.

Successfully completing the 2021-2023 strategy cycle

While a majority of the performance metrics of the BOTF Strategy has been met in 2022, Al Rajhi will carry the growth momentum into 2023 by focusing on promising segments such as Affluent, non-REDF mortgage opportunities and Private Banking. With the rising cost of funds becoming a global issue and funding by and large becoming less available or more contested, Al Rajhi Bank remains ahead of the curve with highly successful Sukuk issuances among other funding, balance sheet, and margin management initiatives.

Al Rajhi Bank also remains focused on balancing the growth of both deposits as well as funding, and will continue to be more selective by growing high margin assets and managing a healthy asset mix, to offset the yield impact. The Bank will also continue to maximise its Corporate synergies across its growing network of overseas branches and independent, high-performing subsidiaries creating value for all stakeholders; as the Bank successfully achieves its overarching strategic objective of establishing itself as the Bank of the Future, in the Kingdom and beyond.

business in perspective

48

مصرف الراجحي
alrajhi bank

chief financial officer review of 2022 performance

An Overview

The Kingdom being recognised as the world's fastest growing economy by 8.7% in 2022 with a positive outlook for 2023 laid the stage for Al Rajhi Bank to continue delivering a strong performance across all business lines. Guided by its 2021-2023 Bank of the Future (BOTF) Strategy and its initiatives, Al Rajhi Bank recorded a 22% YoY growth across its balance sheet. Consumer spending continued its positive trend with an increase of 9.5% in 2022 on the back of improved economic activities across the Kingdom. The financing portfolio also grew at 26% for the year to reach SAR 568 Bn.

Mortgage recorded a growth of 30% YoY, and now represents close to 39% of our total financing portfolio and 51% of the Al Rajhi retail book. In addition, the successful implementation of our BOTF Strategy saw a 57% growth in our corporate book and an equally impressive 61% growth in our SME business, contributing to a significant 59% YoY growth of our non-retail book. We also delivered a solid net income growth of 16% YoY to reach SAR 17.2 Bn., driven by both a 9% increase in net yield income, and a non-yield income growth of 20%.

One of the key highlights for Al Rajhi Bank in 2022 was our successful diversification of funding sources, with our Treasury Group carrying out three major transactions during the year under review; a Tier 1 Sukuk was issued for the first time in Al Rajhi Bank's history at a total value of SAR 6.5 Bn., the Bank also became the first Islamic Bank in the world to raise a Sharia-compliant, green syndicated loan of USD 1.2 Bn., and also went on to announce a Tier 1 Sukuk public issuance, the first of its kind in the market, raising the issue to SAR 10 Bn. to meet the demand of over 125,000 investors.

A detailed review of Al Rajhi Bank's results of operations and financial position is given below:

Five-year summary of the Income Statement

Description	2022 SAR '000	2021 SAR '000	2020 SAR '000	2019 SAR '000	2018 SAR '000
Income					
Gross financing and investment income	**28,201,631**	21,441,506	17,377,963	16,962,583	14,993,709
Return on customers', banks' and financial institutions' time investments	**6,028,944**	1,049,570	464,946	534,860	506,724
Net financing and investment income	**22,172,687**	20,391,936	16,913,017	16,427,723	14,486,985
Fee from banking services, net	**4,624,140**	3,933,107	2,659,680	1,987,367	1,867,034
Exchange income, net	**1,162,162**	787,898	783,894	774,096	755,804
Other operating income, net	**616,030**	603,457	364,669	295,278	209,695
Total operating income	**28,575,019**	25,716,398	20,721,260	19,484,464	17,319,518
Expenses					
Salaries and employees' related benefits	**3,395,191**	3,132,346	2,977,344	2,794,046	2,809,449
Rent and premises related expenses		0	0	0	314,567
Depreciation and amortization	**1,330,119**	1,141,932	1,118,148	1,059,582	603,136
Other general and administrative expenses	**2,725,760**	2,652,244	2,646,409	2,532,213	1,925,518
Operating expenses before credit impairment charge	**7,451,070**	6,926,522	6,741,901	6,385,841	5,652,670
Impairment charge for financing and other financial assets, net	**2,001,259**	2,345,086	2,165,740	1,772,265	1,530,946
Total operating expenses	**9,452,329**	9,271,608	8,907,641	8,158,106	7,183,616
Income for the year before Zakat	**19,122,690**	16,444,790	11,813,619	11,326,358	10,135,902
Zakat for the year	**(1,971,865)**	(1,698,579)	(1,218,071)	(1,167,831)	(6,367,949)
Net income for the year	**17,150,825**	14,746,211	10,595,548	10,158,527	3,767,953

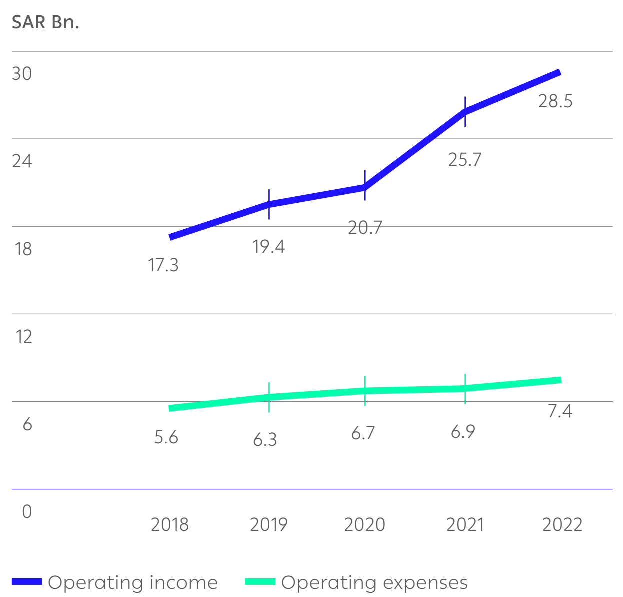
Revenue breakdown by subsidiaries	2022 SAR '000
Al Rajhi Capital Company – KSA	866,520
Management and Development for Human Resources Company – KSA	947,953
Al Rajhi Bank – Kuwait	88,892
Al Rajhi Bank – Jordan	147,927
Tuder Real Estate Company – KSA	187,952
Al Rajhi Corporation Limited – Malaysia	233,625
Emkan Finance Company – KSA	1,053,064
Tawtheeq Company – KSA	9,443
Al Rajhi Financial Markets Ltd	-
International Digital Solutions Co. (Neoleap) – KSA	346,766
Ejada System Limited Co. – KSA	248,805
Total	4,130,948

Total operating income

Al Rajhi delivered a strong growth in total operating income driven by both yield and non-yield income to reach SAR 28.6 Bn. for 2022, recording a growth of 11% YoY. Yield-based income for the year grew 9% to SAR 22.2 Bn., accounting for 78% of the Bank's total operating income.

The continued focus on increasing our revenue mix resulted in the Bank's non-yield income increasing to represent 22% of the Bank's total operating income. Non-yield income growth was driven by a 18% fee income increase YoY; the positive migration to cashless payments coupled with an increase in consumer spending as well as an increase in market share (from acquired businesses) resulted in growing payment revenues during the year under review. A decent YoY growth in trade and cash management fee income from the steadily growing corporate business also contributed to the revenue mix. Exchange income has also shown a strong performance increasing by 48% YoY.

Operating income vs operating expenses



Operating expenses

The Bank's operating expenses for the year amounted to SAR 7.5 Bn., an increase of 7.6% resulting from the 22% YoY growth of our overall balance sheet, and higher transaction volume compared to last year. The Bank continued to make strategic investments during the reporting period to execute and deliver ambitious KPIs of the BOTF Strategy.

However, the Bank recorded a 11% increase in operating income, resulting in a strong, 354-basis-point positive jaws, and a 86-basis-point cost-to-income improvement. This ensured Al Rajhi Bank recorded the leading cost-to-income ratio in the local market, standing at 26.1% for the period.

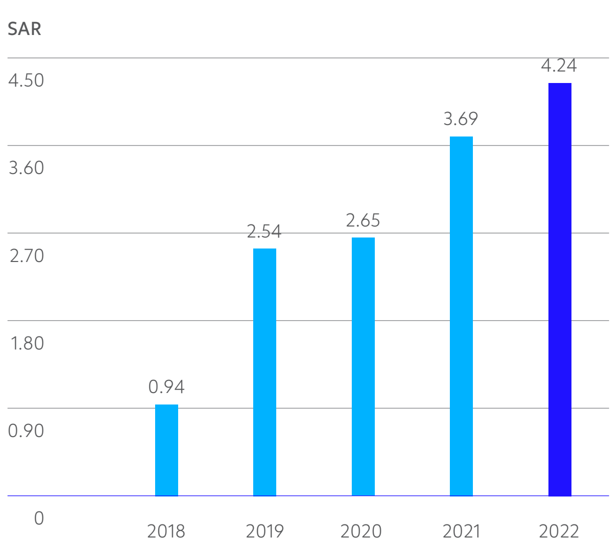
Impairment Charges

In line of the International Financial Reporting Standard 9 – Financial Instruments (IFRS 9) issued by the International Accounting Standards Board (IASB), Al Rajhi Bank updated the "expected credit loss" (ECL) framework for the recognition of impairment, taking into consideration current events and forecast information including the positive macro outlook for The Kingdom. This resulted in our net impairment charges for the period to decrease to SAR 2 Bn., almost a 15% drop YoY. These lower charges complemented by the growth of our financing portfolio resulted in our cost of risk decreasing from 0.60% in 2021 to 0.39% in 2022.

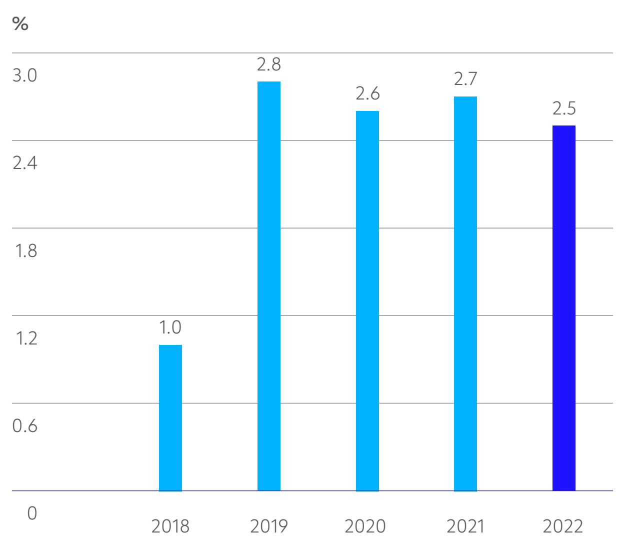
Profitability

Having recorded SAR 17.2 Bn. in net income after Zakat for the year, Al Rajhi continued to maintain industry-leading returns, with a steady Return on Assets (ROA) at 2.46% and Return on Equity (ROE) at 22.68% in 2022. The Bank also recorded a 3.71% return on its risk-weighted assets (RORWA) at the end of the year.

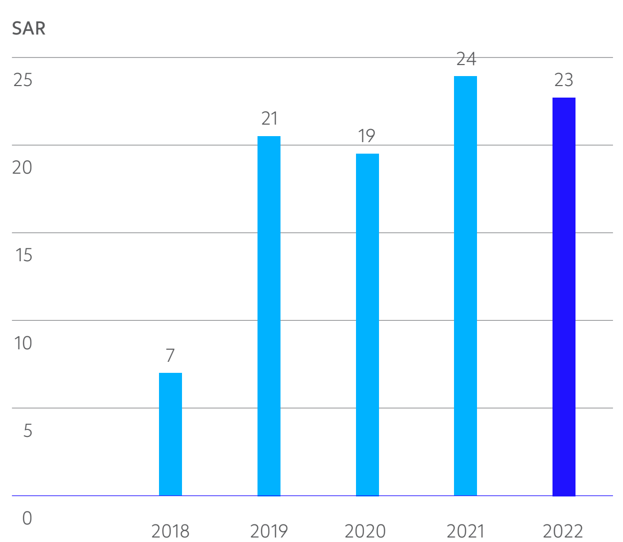
Earnings per share (EPS)



Return on average assets



Return on average equity



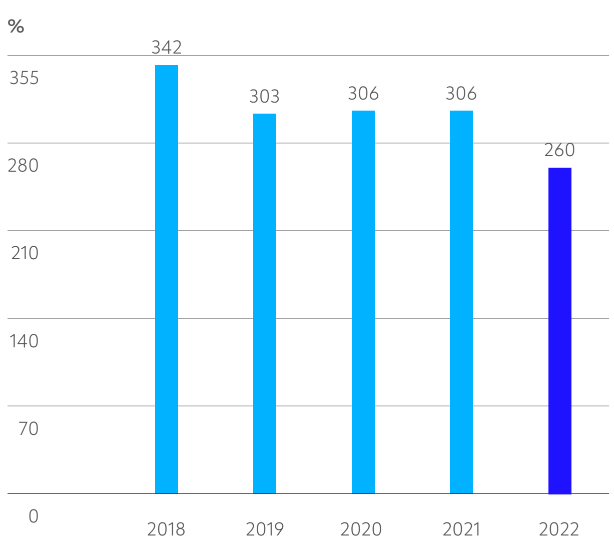
Five-year summary of the statement of financial position

Description	2022 SAR '000	2021 SAR '000	2020 SAR '000	2019 SAR '000	2018 SAR '000
Cash and balances with Central Bank	**42,052,496**	40,363,449	47,362,522	39,294,099	43,246,043
Due from banks and other financial institutions, net	**25,655,929**	26,065,392	28,654,842	32,058,182	32,387,760
Investments, net	**102,146,142**	84,433,395	60,285,272	46,842,630	43,062,565
Financing, net	**568,338,114**	452,830,657	315,712,101	249,682,805	231,758,206
Investment properties, net	**1,364,858**	1,411,469	1,541,211	1,383,849	1,297,590
Property and equipment, net	**11,338,782**	10,665,799	10,234,785	10,407,247	8,649,435
Other assets, net	**11,469,701**	7,874,467	5,033,990	4,417,764	3,629,245
Total Assets	**762,366,022**	623,644,628	468,824,723	384,086,576	364,030,844
Dues to banks and other financial institutions	**70,839,117**	17,952,140	10,764,061	2,219,604	7,289,624
Customers' deposits	**564,924,688**	512,072,213	382,631,003	312,405,823	293,909,125
Other liabilities	**26,377,182**	26,338,711	17,311,141	18,269,492	14,526,229
Total liabilities	**662,140,987**	556,363,064	410,706,205	332,894,919	315,724,978
Equity					
Share capital	**40,000,000**	25,000,000	25,000,000	25,000,000	16,250,000
Statutory reserve	**29,287,706**	25,000,000	25,000,000	21,789,632	16,250,000
Other reserves	**(427,569)**	282,107	(134,728)	(216,041)	(349,555)
Retained earnings	**9,864,898**	16,999,457	8,253,246	868,066	12,499,171
Proposed dividends	**5,000,000**	0	0	3,750,000	3,656,250
Equity attributable to shareholders of the Bank	**83,725,035**	67,281,564	58,118,518	51,191,657	48,305,866
Tier 1 Sukuk	**16,500,000**	0	0	0	0
Total equity	**100,225,035**	67,281,564	58,118,518	51,191,657	48,305,866
Total liabilities and equity	**762,366,022**	623,644,628	468,824,723	384,086,576	364,030,844

Assets

Al Rajhi Bank passed the SAR 700 Bn. milestone in total assets during the reporting period, closing the year with assets amounting to SAR 741 Bn., a 27% growth YoY. The Bank's asset quality continued to be the best in the market with 97.5% of our financing portfolio recognised as stage 1 assets. Stage 2 and stage 3 assets stood at 1.7% and 0.8% of the financing portfolio respectively, with coverage ratios for stage 3 standing at 64%, stage 2 at 18% and stage 1 at 0.58%, all higher than market average. Our prudent risk management continued to be reflected in our NPL ratio which was the lowest in the market, reducing from 0.65% in 2021 to 0.54% in 2022, the fourth consecutive year of improvement for this KPI. Additionally, the Bank's NPL coverage ratio too, lead the banking sector at a healthy 260%.

NPL coverage



Deposits and other liabilities

Total liability of Al Rajhi Bank stood at SAR 662 Bn., a YoY increase of 19%. Customer deposits increased by SAR 53 Bn. during the year under review, a growth of 10% YoY to reach SAR 565 Bn., with demand deposits making-up almost 64% of total customer deposits. Time deposits also recorded a strong growth in 2022, increasing by SAR 72 Bn. YoY. Interbank borrowing increased by SAR 53 Bn., which also included a SAR 4.4 Bn. of USD syndicated green loan considered to be the largest Sharia-compliant syndication in the Middle East.

Stability

With a strong balance sheet backed by market-leading asset quality and NPL ratio, healthy regulatory liquidity position and comfortable levels of capital ratios, Al Rajhi Bank successfully maintained its steady growth and consistent performance, demonstrating the stability, shareholder loyalty and creditworthiness of the Bank.

Capital

Al Rajhi Bank continued to maintain a strong capitalisation profile above regulatory minimum requirements with a Core Equity Tier 1 (CET1) ratio of 17.0% and a total capital adequacy ratio of 21.4%, marginally higher than the ratios recorded in 2021. A 17% YoY increase in Risk-Weighted Assets (RWA) arising primarily from growth in the financing portfolio led to 18% increase in Credit Risk RWAs, impacting our capital ratios. However, a decrease in RWA density from 68.2% in 2021 to 65.3% in 2022 demonstrated the Bank's improving risk quality of assets. The reporting period saw the Bank focused on strong internal capital generation to help support the capital position of the Bank, while also exploring new business opportunities.

Liquidity

Al Rajhi Bank's liquidity position remained healthy and within the regulatory requirements, with a regulatory Loan-to-Deposit Ratio (LDR) of 85.9% in line with our internal optimised level. The Bank's Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) stood at comfortable levels at 110% and 126% respectively, and above statutory minimum requirement. Al Rajhi Bank recorded a 25% YoY growth of High Quality Liquid Assets (HQLA) amounting to SAR 118 Bn., as at 31 December 2022.

Geographical analysis of the total income of the bank and its subsidiaries	2022 SAR '000
KSA	29,342,624
Middle East and East Asia	470,444
Total	**29,813,068**

Future outlook

Al Rajhi Bank will continue to focus on delivering BOTF strategy KPIs, with our key focus steady on the Bank's core business franchise across retail, corporate and SME segments, capturing new business opportunities given the positive outlook of the Saudi economy. The implementation of BOTF strategy will support the Bank to optimise synergies across the Bank's subsidiaries, and nurture a financial ecosystem that will provide our loyal customers with rapidly evolving financial solutions to address their ever-changing needs.

business portfolio review

retail banking group

Al Rajhi Bank retained its position as the largest retail lender in the Kingdom in 2022, with the Bank's Retail Banking Group (RBG) dominating 43.6% of the consumer market in the face of stiff competition.

GRI 3-3

RBG maintained leading market shares of 44.3% in personal finance, 51.7% in auto finance and 42.9% in mortgage at the close of the reporting period.

While consolidating its already dominant presence in the Affluent and Private Sector segments, the Bank continued to build its Retail portfolio with a sharp focus on expanding market share, introducing competitive products and seeking additional income-generation opportunities, complemented by greater customer engagement, aggressive digital adoption and efficiency in sales channel productivity.

The results are evidenced by an exponential rise in transactions from the Bank's digitally enabled agile delivery process, recording an increase from 295 million transactions in 2020 to 697 million transactions during the reporting period.

Such improvements also contributed towards a significantly enhanced Net Promoter Score (NPS) of 75% in 2022 from 66% in 2020, demonstrating strong customer satisfaction levels.

Building a balanced real-estate portfolio

The Bank introduced a number of innovative refinancing propositions for the Kingdom's Real Estate Development Fund (REDF) backed products in 2022, while also strategically focusing on building a sizable portfolio of Non-REDF products. These included the Buyout Home Finance product allowing customers to obtain new financing from Al Rajhi to settle mortgage loans with other banks, a Property Power Top Up product offered through Murabaha and secured against the home value, and financing against mortgage of investment property through Eirad. The Bank also focused on its Off-Plan financing programme in partnership with approved developers for REDF and non-REDF customers.

These products, each launched at highly competitive pricing and bolstered by targeted campaigns increased non-REDF sales after an era of REDF dominance in retail banking, bringing up the non-REDF contribution of RBG's growing real-estate portfolio to around 15%, while also enabling the Kingdom's Vision 2030 target of increasing home ownership of Saudi nationals.

Al Rajhi Bank was recognised for its unparalleled growth across the real-estate segment, winning a number of awards including the Best Real Estate Financing Bank 2022, the Best Real Estate Finance Bank in the Ready Unit Product category and the Best Real Estate Financing Bank in the Real Estate Advisor category.

Widening the private sector base

RBG took strategic measures to enhance its presence within the Private sector during the year under review, recording a 43% YoY growth in 2022 following a round of campaigns centred around key public events spread out over the calendar year. Retail Banking increased its sources of acquisition with the launch of an innovative customer onboarding process through integrations with strategic partners, and also focused on referrals from all sales channels to further build its Private sector customer base. New Relationship Managers were recruited to branches across the Kingdom to offer bespoke service to the Bank's fast-growing number of private sector customers, which was achieved through a host of solutions across targeted segments. Retail Banking ended the year with over 5,000 approved Private sector entities, the highest in the market.

RBG maintained its market share of the Affluent segment in 2022 by launching a number of new programmes aligned with an advanced client retention strategy and a restructure of the Affluent department, with focused and improved incentive schemes tailored to meet the segment's growing expectations.

Boosting performance through digitalisation

The impact of Al Rajhi Bank's digital transformation journey was evidenced by the notable increase in efficiency and productivity across RBG, which resulted in a significant reduction in operational costs and labour-intensive effort. Digitally accelerated financing requests and approvals enabled the Bank to avail a number of cross-selling opportunities, and minimise chances of financial fraud and human error.

By the end of the reporting period, a majority of Retail Banking products and services were made available on the Bank's digital channels, with all Personal Finance products fully incorporated on to the Bank's new Loan Origination System (LOS). The shift made in digital services positively impacted customer satisfaction during the reporting period, as attested by feedback from customers across demographics.

An expanding product portfolio

2022 was also notable for new initiatives and promotions in Al Rajhi Bank's card products. A Cashback Plus revolving credit card was launched during the year under review, offering a cashback of up to 10% on daily spending, while Al Rajhi Visa FIFA Card was launched in conjunction with the FIFA World Cup Qatar 2022. Customers were also offered the convenience of paying their SADAD bills by card in 2022, while a new Mada debit card design was rolled out in the first week of December. In addition, the Bank's new card management system went live in 2022, with migration ongoing at the end of the reporting period.

Additionally, RBG continued to build on its Personal and Auto Finance segments through digital migration and tactical pull campaigns – two key enablers that contributed to Al Rajhi's consumer market dominance during the reporting period. Digital migration offered a seamless omni-channel financing experience to customers in line with Al Rajhi's overarching Bank of the Future (BOTF) Strategy, while tactical pull campaigns allowed the Bank to retain key clientele, while engaging with and acquiring a significant portion of non-bank customers.

Promoting financial inclusion

Al Rajhi Bank continued to optimise its credit policy parameters to maintain market competitiveness, and expanded the availability of its entire product suite across digital channels to promote accessibility to financial solutions across the Kingdom, in line with its Vision 2030 objectives.

Auto Finance continued its 50:50 programme with a 50% balloon payment option at the end of a 36-month financing term, as well as the Low-Income programme and the Non-Salary Transfer (NST) for non-approved employers programme to serve disadvantaged segments. Mortgage, in its efforts to contribute, launched the aforementioned Mortgage Top-up and Buyout programmes.

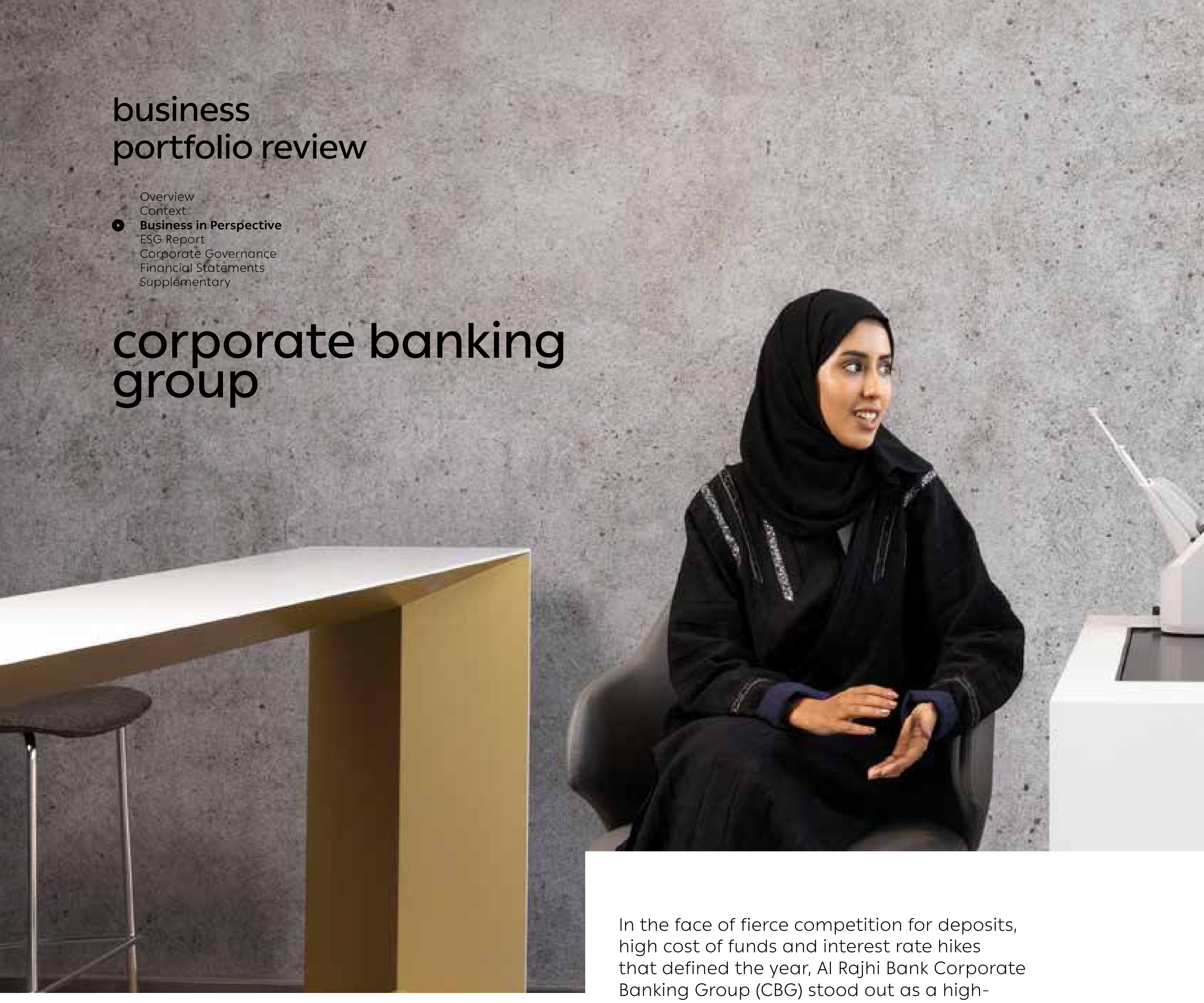
Future outlook

In line with the Bank of the Future (BOTF) strategy, Retail Banking will continue to build its portfolio in 2023 with a focus on increasing market share; for Personal Loans, product innovation and optimised customer experience will remain key growth drivers in the coming year, while for Auto Finance, Retail Banking seeks to improve its value proposition to leverage target markets, with additional products for the Affluent segment in the pipeline.

For Mortgages, the focus will remain on further consolidating its Real Estate Business leadership position, increasing the number of non-REDF products, and concluding key partnerships with the Ministry of Housing. The Off-Plan programme will continue to be supported by exclusive partnerships and Escrow accounts in collaboration with corporate banking.

The Bank's data-driven rapid decision-making engine will be utilised to empower sales channels, improve financing turnaround times and optimise customer experience. All auto lease and mortgage products will follow in line with personal finance, and be migrated on to the new LOS, which will rapidly accelerate operations and financing transactions with improved functionality.

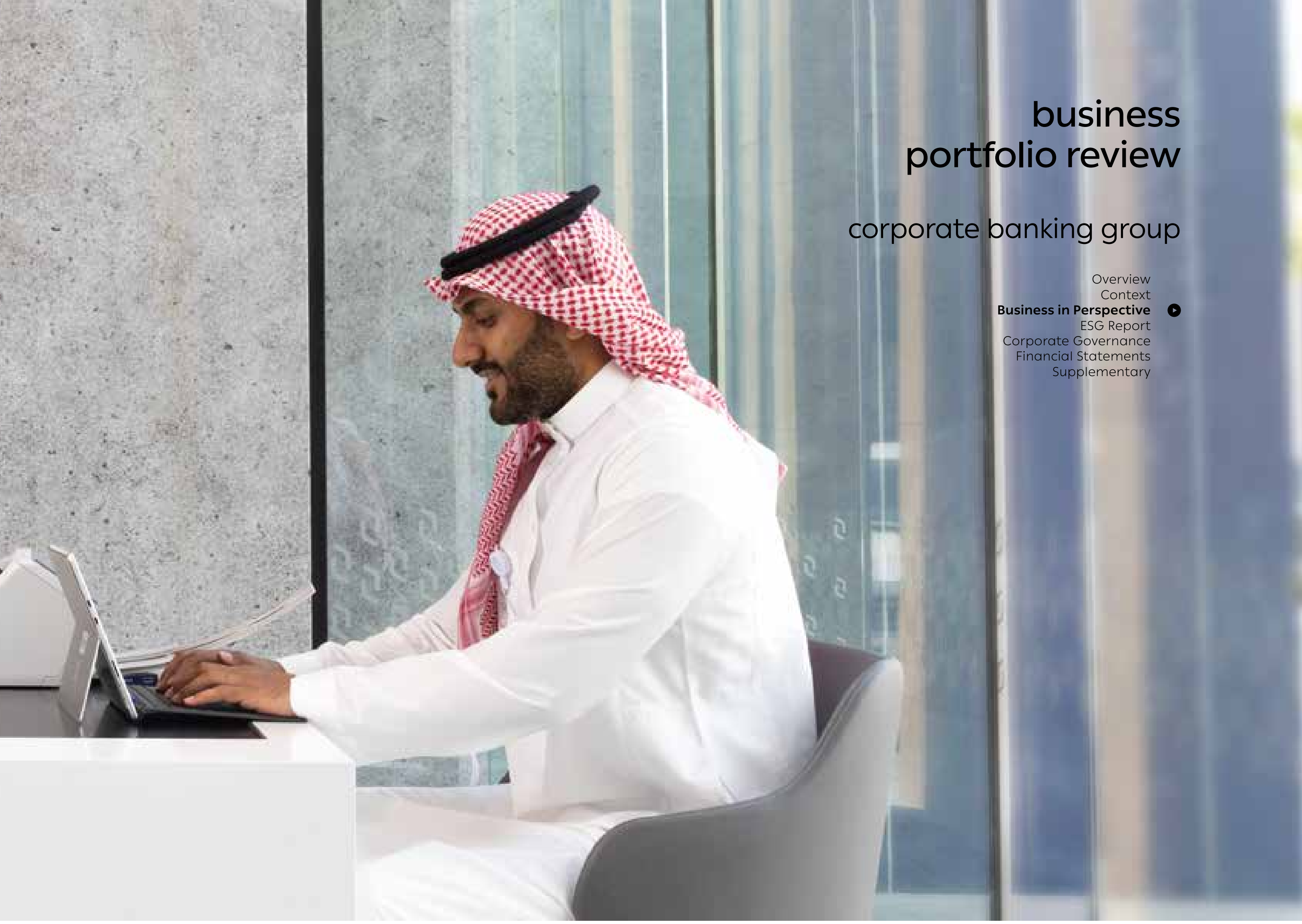
corporate banking group



Al Rajhi Bank's impressive corporate portfolio growth accounted for 36% of total growth in the entire Saudi corporate market as of 3Q 2022, with a steep growth in assets being offset by a similar growth in liabilities during the reporting period.

In the face of fierce competition for deposits, high cost of funds and interest rate hikes that defined the year, Al Rajhi Bank Corporate Banking Group (CBG) stood out as a high-performing competitor within the sector, recording a 3.6% YoY growth as of 3Q 2022 in market share to rank in the top three corporate banks in the Kingdom as of year-end 2022.

This broad-based growth was the direct result of a sharper focus of well-established corporate brands with solid internal structures to help diversify CBG's client base whilst maintaining a below-average cost of risk. The Bank leveraged on its better performing products during the reporting period for this purpose, supported by an advanced pool of top talent nurtured through dedicated Graduate Development Programmes focused on Corporate Banking.



business portfolio review

corporate banking group

2022 saw substantial expansion of Al Rajhi Bank's client base with the Bank attracting new corporate customers across multiple segments by leveraging its strengths in balance sheet size, and market leading repute across other banking verticals such as retail, microfinancing, payments and loyalty.

Optimising synergies for growth

Corporate Banking recorded a stellar performance in 2022 across multiple avenues despite the market volatilities that dominated a better part of the year. The corporate segment operating income rose up by 58% to SAR 4,507 Mn., with net income increasing by 85% to SAR 3,357 Mn.

One of the performance highlights for the year was the marked drop in non-performing loans (NPL), down from 1.66% in 2021 to 0.84% in 2022, while maintaining a low Cost of Risk at 47 basis points, a significant improvement from the previous year's 70 bps that can be attributed to higher gross assets, lower gross charge and higher recovery in the reporting period.

During the year under review, CBG continued to build on the Bank's 360-degree client coverage model that covers both Relationship and Product perspectives with a "One Client, One Bank" approach, evidenced by the formalisation of several financing agreements with Retail Banking. This, together with the adoption of agile delivery mechanisms, enabled CBG to garner more liabilities and generate incremental fee income from other business verticals including Al Rajhi Capital, Treasury Group, Private Banking and Al Rajhi Takaful. CBG successfully concluded derivative deals during the reporting period, increasing active foreign exchange (FX) clients by 83% YoY, adding to the Bank's fast-growing client base along with a number of new Private Banking accounts also opened during the year under review.

corporate banking group

CBG retained strategic focus to refinance high quality assets in a post-COVID financial landscape, with timely endeavours to serve critical client needs, and ensure financial support for business continuity.

An expansive year

72%
increase in B2B product portfolio with a high-throughput rate of
167%

Escrow accounts grew
193%
at a throughput of
313%

Corporate Cards recorded a
700%
increase with 4,400 new cards issued

Card spending accounting for a
517%
increase.

Virtual accounts grew by
236%

Cash Deposit
24 Cards
customers activated, witnessed a solid increase during the period

During the reporting period, CBG continued to increase its Small and Medium Enterprise (SME) portfolio by continuing to expand its market share and structured product offering, including the Sharia-compliant (Murabaha) overdraft facility as well as receivable financing, fleet financing, Point-of-Sale (PoS) financing and real estate (Eirad) financing solutions.

Al Rajhi Bank retained its leading position in the KSA market with a 37.5% PoS market share, with 533,442 terminals. Almost 85% of all terminals were upgraded to 4G with the Near-Field Communication (NFC) feature in 2022.

Boosting client engagement

The Corporate Banking Business Team continued to engage with clients in 2022 with over 3,294 joint client visits and calls with the Product Team, to better understand customer needs, create new opportunities across the Bank's various business units and accommodate customer requirements.

In a bid to reward customer loyalty, CBG also integrated several strategic accounts with the Mokafaa loyalty programme, further increasing client satisfaction during the year. A CBG roadshow was conducted in December across the three regions.

Under the "One Stop Shop" initiative, CBG continued to consolidate resources and co-locate by setting up 56 additional Corporate Desks at Al Rajhi Bank branches, taking the total corporate desks to 100 by the end of the year. CBG also continued to operate the dedicated Corporate Business Solution Centres in the key cities of Riyadh, Jeddah and Dammam during the reporting period, ensuring a holistic coverage of account service, financing, cash management and trade finance operations.

Digital consolidation

Making unrivalled strides in digitalisation during the reporting period, Al Rajhi Bank became the first bank to launch an end-to-end digitised LG service in both issuance and advising, streamlining the processes on the Wthaq digital platform launched by fully-owned subsidiary of PIF – Tabadul, the Saudi Company for Exchanging Digital Information. Al Rajhi Bank also became the first bank in the Kingdom to launch a B2B LG Automation Service for LG beneficiaries in partnership with the budding fintech BwaTech, while enabling customers to utilise the Etimad financial digital services platform for issuance and advising of LGs.

CBG also launched an end-to-end cross-border digital trade solution for LCs in partnership with Contour, a Singapore based fintech that is engaged in digitalisation of Trade Finance.

The Bank continued system enhancements to improve customer experience, enhance business delivery and support growth momentum during the reporting period; these included the integration of Al Rajhi Bank's e-Corporate portal with its e-Trade portal to enable single-sign on, enhanced dashboard features for CBG's customer relationship management (CRM) system to enable business with a holistic view of customer accounts and details for faster decision making, and mobile device access for the Bank's loan origination system (LOS), which also expanded its scope to include the SME segment.

Corporate Banking also relied on the latest technologies, data science, data visualisation and analytics tools to finalise the automation of Management Information System (MIS) reports, including regulatory reports, incentive calculation, and monthly performance report.

Aligning with Vision 2030

The Bank continued to broaden and strengthen its ties with the public sector in 2022 through long-term sustainable projects and initiatives in order to further align with and contribute towards the Kingdom's Vision 2030. Having supported its establishment, Al Rajhi Bank became the primary bank for the National Development Fund (NDF) in 2022, easing its operational and financial requirements.

Al Rajhi Bank was also the Kingdom's bank of choice for Hajj and Umrah seasons of 2022, successfully partnering with the Ministry of Hajj and Elm – an IT services company owned by the Public Investment Fund (PIF) to improve fund collections through system enhancements. The Bank also worked closely with government and semi-government entities to equip them with tools and technology for more efficient payment and digital solutions, in order to improve their outreach to citizens, residents and visitors to the Kingdom.

The Bank continued to be a major contributor to the primary drivers of Vision 2030, engaging with major public and private sector stakeholders during the reporting period to offer best-in-class financial solutions across the real-estate, tourism, entertainment and industrial sectors.

On the ESG front, the Bank assisted Tarshid – the National Energy Services Company, in achieving their strategic goals to develop, fund and manage impactful energy efficiency projects that resulted in significant energy savings for the Kingdom.

The Bank has adopted a dedicated strategy to align closely with the growing electric vehicles (EV) sector in an effort to enable its growth and expansion by supporting infrastructure development and introducing retail financing and leasing programmes, further contributing towards energy transition targets in Vision 2030.

Future outlook

The Corporate Banking Group is set to launch a series of new initiatives in 2023 to maintain its market-leading growth and realise its vision to become the Best Corporate Bank in the Kingdom, including a new core banking solution to revamp corporate credit products and services.

A credit facilities dashboard is currently under development to be made available through the Bank's e-channels to allow customers to review outstanding utilisations, while an end-to-end loan disbursement solution via the Bank's digital channels is expected to be launched by the third quarter 2023. CBG is also working on introducing a new, cutting-edge Supply Chain Finance Solution for SME and mid corporate segments next year, with strong collaborations with Neoleap in the pipeline for new product innovations to power advanced merchant ecosystem. SWIFTNet connectivity will be another highlight for Corporate Banking in 2023.

Corporate Banking will continue to support various initiatives of the Kingdom's Vision 2030 strategy and the vision realisation programmes (VRPs). Leveraging its digital capabilities and with the added strength of Ejada, the newly acquired ITC solutions company, CBG will further enhance its partnerships with government institutions such as the Ministry of Justice, the Ministry of Human Resource and Social Development, the Ministry of Education as well the Ministry of Hajj and Umrah. Corporate Banking services for public sector projects will be further supported through platform enhancements and advanced financing solutions.

treasury group

The Group expanded its portfolio during the reporting period to include industry-redefining Sharia-compliant asset classes, structured investment products and hedging solutions, ending the year on a note of significant growth, optimism and renewed vigour.

In a year that witnessed much market volatility, geopolitical upheaval and a global shift to a more tightened monetary regime, Al Rajhi Bank's Treasury Group recorded sustained growth against numerous unanticipated odds by seizing opportunities to capture and improve market share. It also diversified funding sources and optimized yields while maintaining balance sheet requirements.

Successfully exploring new funding sources

Tapping into unprecedented funding sources in a rising rate environment, whilst challenging in terms of optimising cost of funds, paved way for a number of historic firsts for Al Rajhi Bank in 2022; Sukuk issuance, syndicated borrowings, bilateral borrowings, repurchase agreements (repo) in SAR and USD as well as Saudi Real Estate Refinancing Company (SRC) securitisation were tools introduced by the Treasury Group for the first time to strengthen and further diversify its funding during the reporting period.

In 2022, Al Rajhi Bank most notably completed the issuance of its SAR-denominated Tier 1 local Sukuk at a value of SAR 6.5 Bn. amid high investor demand at the onset of the reporting period – the first-of-its-kind in the Bank's history and the largest private issuance by a financial institution in the Kingdom. Due to the success of this initial Sukuk and strong investor appetite, Al Rajhi Bank announced an unprecedented public offering of SAR-denominated Tier 1 local Sukuk in October 2022, listed and tradable on the Saudi Stock Exchange (Tadawul). The IPO achieved record numbers that were the largest in the history of the Saudi Sukuk market, with the Bank raising the issue from SAR 4 Bn. to SAR 10 Bn. to meet the demand of more than 125,000 local and foreign investors.

Al Rajhi Bank also became the first Islamic financial institution in the world to conclude a three-year dual tranche Sustainability Commodity Murabaha Facility in 2022, with the USD 1.165 Bio. transaction considered to be the largest Sharia-compliant syndication in the Middle East that complies with environmental, social and governance (ESG) practices, which falls in line with Al Rajhi Bank's comprehensive Sustainable Finance Framework (Refer ESG Report on page 118). The Bank succeeded in increasing the initial financing offer, reflecting the trust shown in its commitment to ESG financing by the 13 global investors from across North America, Europe, Asia and the Middle East participating in the landmark transaction. The proceeds, while increasing the Bank's liquidity levels, will finance only Sharia-compliant projects assessed and qualified against the Bank's Sustainable Finance Framework.

Rebuilding consumer confidence in a volatile market

2022 also saw Treasury Group strategically optimise and more than double its cross-selling transactions across both Corporate and Private Banking segments in hedging and investments, regaining consumer confidence affected by Inflationary sentiments fuelled by interest rate hikes.

The growing competitiveness of new players in financial markets augmented by aggressive technological advancements posed a major threat to pricing strategies and income objectives during the reporting period. The challenge was overcome by the Treasury Group through more diversified pricing strategies across client and channel services, with the Bank successfully retaining a majority one-third of the personal remittance market share.

On the foreign exchange (FX) front, the Bank continued to re-engage with global counterparts and uphold its unmatched repute among the largest peer network of banking and financial institutions, for the Treasury Group's capability to deal in large FX trades. During 2022, this remained a strong selling point to the Bank's Tier 1 commercial entities and high-valued government projects in the Kingdom. The Group's achievements in forex were recognised at the Gordon W. Platt Foreign Exchange Awards 2022 presented by Global Finance, where it won the country award for "Best Forex Provider in Saudi Arabia – 2022".

All strategic improvements supported a 53.7% and 37.0% increase in the Treasury Group's gross yield and exchange income respectively in 2022. Treasury assets grew by 12.1% in line with the Bank's overall asset expansion during the period under review, complemented by an 205% growth in liabilities.

In November 2022, Moody's Investors Service affirmed the long-term rating of Al Rajhi Bank as stable, factoring the solid liquidity and capital buffers as well as the strong asset quality maintained by the Bank.

An ever-widening portfolio

Treasury Group's ambitious diversification drive in terms of duration, credit rating and geographical distribution during the reporting period saw its portfolio expand to include a wider range of Sharia-compliant asset classes, which resulted in enhanced income streams. This contributed to improved yield pickup and better management of the Bank's liquidity for the long term. Treasury also expanded its product offering in structured investment solutions, further strengthening the Bank's balance sheet and market repute to build stable liabilities.

Apart from the history-making Sukuk issuances during the reporting period, Treasury also introduced for the first time multiple Islamic investment products; these included repurchase agreements (repo) for yield enhancement and funding, and hedging transactions executed for the first time under its investment book.

The Bank has also obtained Sharia approvals on commodity hedging solutions as well as FX hedging solutions, expanding its range of comprehensive Sharia-compliant financial product offering and risk management to meet the dynamic business needs of clients.

Going for gold

The Bank recorded a YoY growth in bullion income with Paper Gold – its digital gold wallet – exceeding 2022 income targets by 71%, and complementing its successful physical gold trading business offered across all retail branches.

Performance of Paper Gold:

YoY growth in turnover: over

160%

YoY growth in transactions: over

90%

YoY growth in income: over

170%

YoY growth in quantity dealt in kg: over

156%

Setting trends in treasury tech

Treasury remained poised to achieve Al Rajhi Bank's strategic objective to become "The Bank of the Future" by further strengthening its digital and technology foundations, enhancing its value proposition in terms of smarter, innovative financial solutions supported by highly-efficient service platforms for both customers and employees.

During the year, the Bank continued to build capabilities of the Treasury Management System in line with the business strategy to elevate the level of product execution as well as financial and risk management efficiencies.

The Group's Electronic Trading System also continued to deliver dynamic FX and bullion pricing to serve all downstream systems and enhance customer experience. Paper Gold upgraded a number of features at user level on Al Rajhi Bank mobile platform to improve digital gold trading efficiencies.

Future outlook

Treasury Group is geared to continue its contribution to Al Rajhi Bank's BOTF strategy by providing optimised funding to the balance sheet and enhancing yield income. While continuing to expand and strengthen its FX and derivatives client base to optimise current rate hikes, the Group has a number of investment product variations with attractive yields in the 2023 pipeline, given the anticipated steady increase in rates.

In 2023, Treasury Group will also expand interbank FX counterparties to improve price and FX flow coverage, and access new markets and currencies. On-board bullion and banknote interbank counterparties will be introduced to improve supply, storage and price economies. A number of new module enhancements will be carried out on the core Treasury Management System to on-board new products next year, as part of the Bank's rapidly evolving digitalisation journey.

MSME business

In 2022, the Saudi Kingdom's Small and Medium Enterprises (SME) sector jumped 9.3% to nearly a million registered businesses by the end of Q3. Data published by Monsha'at

The General Authority for Micro, Small and Medium Enterprises of the Kingdom showed that funding for SMEs from venture capitalists for the same period stood at SAR 3.1 Bn., a 93% increase YoY.

Against this backdrop of a healthy, entrepreneurial ecosystem budding across the Kingdom, Al Rajhi Bank continued to provide tailored products and financing solutions through its dedicated SME Business Unit, with a long-term vision to help increase SME contribution to the Kingdom's GDP in their role as agents of economic growth in line with Vision 2030. The Bank also serviced micro businesses through its dedicated Micro and Small Business unit (MSB), offering further customised solutions and financing to support the growing entrepreneurial culture in the Kingdom.

Al Rajhi's overall MSME Portfolio – inclusive of Medium-sized enterprises – grew 61% during the year under review, from SAR 15.8 Bn. in 2021 to SAR 25.5 Bn. in 2022.

Qualitative disclosure of micro, small and medium enterprise for financial services

The approved definition of micro, small and medium enterprises and initiatives adopted by the Bank follows the classifications published by Monsha'at:

- Micro (Ultrafine): 1-5 fulltime employees with annual revenues less than SAR 3 Mn.
- Small: 6-49 fulltime employees with annual revenues between SAR 3 Mn. to SAR 40 Mn.
- Medium (Average): 50-249 fulltime employees with annual revenues between SAR 40 Mn. to SAR 200 Mn.

Al Rajhi Bank services businesses classified "Micro" through structured lending programs offered by its MSB unit under Retail Banking, and collectively services businesses classified "Small" and "Medium" through its SME unit under Corporate Banking with different policies for lending due to its potentially larger financing requirements.

The Bank routinely monitors the progress and growth of MSB clients, to better service them in terms of products, and cross sell relevant financing solutions as businesses show the potential to transition through its categorisation as they scale.

Strategic initiatives taken to support the MSME segment

With the aspiration to be a Bank of Choice for MSMEs in the Kingdom in line with the Bank of the Future (BOTF) Strategy, Al Rajhi Bank continued to build and implement strategic initiatives to support the growth of MSMEs in an ever-changing operating environment:

- Utilising all available channels including direct sales, corporate sellers and branches to onboard MSME customers and increase market share.
- Introducing e-commerce financing as a new product to the MSME segment.
- Introduction of financing option for POS Finance, E-Commerce, and Business Instalment Finance through the digital channels.
- Taking measures during the reporting period to ease the approval process, primarily for the MSB segment.
- Enhancing the acquisition and service delivery model to improve customer acquisition, supported by digitalised and automated processes that supports better turnaround time and faster/instant approvals.
- Focusing on structured products and secured lending for SME clients to improve non-performing loan (NPL) ratios, while also improving remedial infrastructure to manage and improve recovery activities.
- Maintaining a dedicated call centre for MSB customers, and allocating two dedicated toll-free numbers for MSB as well as SME customers for customer queries and servicing, thereby providing an unrivalled customer experience.
- Implementing more efficient account planning techniques and improving the Bank's MSME portfolio management process, to better understand and serve clients.

Partnerships and agreements to support MSMEs

The Bank entered into a number of partnerships and agreements with semi-government as well as private sector entities during the year under review, to identify new funding sources and opportunities for the sector. The Bank entered into agreements with the Real Estate Development Fund and the Tourism Development Fund, to facilitate growth across both verticals through SME financing.

MSME Financing Breakdown

	Micro and Small		Medium		Total	
	2022	2021	2022	2021	2022	2021
Loans to MSMEs –						
on balance sheet (SAR '000)	**12,863,559**	6,688,591	**12,644,010**	9,173,011	**25,507,568**	15,861,602
on balance sheet loans to MSMEs as a % of total on balance sheet loans	**2.3**	1.5	**2.2**	2.0	**4.5**	3.5

Future outlook

With the MSME sector expected to further grow in 2023, Al Rajhi Bank will continue to bridge the financing gap across the sector by introducing new and innovative products to better meet market needs, backed by highly competitive pricing. Both SME and MSB business units will also continue to evolve and digitalise its core systems as well as its product journeys and processes in line with the BOTF Strategy.

Partnerships will continue to be developed with semi-government entities as well as the private sector to grow financing sources and opportunities for the MSME Sector.

subsidiaries and international branches

Name of Subsidiary	Capital (SAR '000)	Ownership of the Company (%)	Country of Establishment	Country of Operations
Al Rajhi Capital Company – KSA	500,000	100	KSA	KSA
Management and Development for Human Resources Company – KSA	500	100	KSA	KSA
Tuder Real Estate Company – KSA	1,000	100	KSA	KSA
Al Rajhi Corporation Limited – Malaysia	1,341,909	100	Malaysia	Malaysia
Emkan Finance Company – KSA	2,000,000	100	KSA	KSA
Tawtheeq Company – KSA	10,000	100	KSA	KSA
Al Rajhi Financial Markets Ltd	188	100	Cayman Islands	Cayman Islands
International Digital Solutions Co. (Neoleap) – KSA	150,000	100	KSA	KSA
Ejada System Limited Co. – KSA	1,000	100	KSA	KSA

Name of International Branch	Capital (SAR' 000)	Ownership of the Company (%)	Country of Establishment	Country of Operations
Al Rajhi Bank – Kuwait	389,888	100	Kuwait	Kuwait
Al Rajhi Bank – Jordan	264,843	100	Jordan	Jordan

International Business Group Highlights 2022

SAR '000	Revenue	Expenses	Net profit
Kuwait	88,892	47,805	41,088
Jordan	147,927	98,843	49,084
Malaysia	233,625	209,067	24,558

al rajhi capital

In a volatile year in which capital markets around the world were measurably impacted by global economic headwinds, the Saudi capital market fared relatively well though not without incident. Al Rajhi Capital (ARC) – the largest broker in the Kingdom, continued to drive its strategic objective to maintain leadership in brokerage during the year under review, reaching 17.6% market share in terms of value traded, driven by a 19% YoY increase in the number of active clients. Pricing was improved and a discount structure was developed through effective campaigns and offers over the course of 2022, adding to ARC's growing popularity with investors.

The subsidiary pursued multiple deals across all fronts including equity capital markets, debt capital markets, acquisitions as well as a first-of-its-kind Sukuk issuance, capping off the year ranked by Bloomberg as the number one trader in the global Sukuk market for 2022. ARC was also awarded the Best Broker and Best Financial Research House awards for the Saudi Market at the Saudi Stock Exchange Awards during the Saudi Capital Market Forum 2022.

Scaling up asset management

During the reporting period, "Al Rajhi Saudi Equity Fund" saw its performance at 2.76%, despite a -7.1% decrease in the Tadawul All Share Index (TASI) in 2022, and the "GCC Equity Fund's" performance reaching 5.89% in 2022. Additionally, the newly launched fund "Monthly Distribution Fund" distributed 2.7% monthly dividends during 2022, since its inception on September 4th 2022. Fund was widely and well received, with approximately SAR 300 Mn. invested and 2.18% of dividends distributed so far, with the fund contributing to the total unit subscribers increase by 96% YoY. In mid-2022, the asset management team in collaboration with the Saudi Health Endowments Association launched the Health Endowment Fund, with the aim to promote participation within the voluntary community, particularly within non-profit investment, thus creating an effective contribution to social solidarity.

For its strong fund performance, the Al Rajhi GCC Equity Fund was named the Lipper Fund Award winner for Equity GCC (Gulf Cooperation Council) over the three- and five-year periods in the MENA Markets category, the MENA Markets Domestic Funds category and the Global Islamic Fund category.

ARC also claimed compliance with the Global Investment Performance Standards (GIPS®), established by the Institute of Chartered Financial Analysts (CFA Institute), responsibly guiding the local financial sector as a pioneer in implementing global benchmarks for disclosure of the performance of Asset Management investments during the year under review.

A strong foundation for an investment banking franchise

When expanding advisory services to strengthen its investment banking portfolio in line with its strategic direction, ARC pursued several opportunities within the capital markets; the subsidiary was the sole financial advisor, lead manager, bookrunner and underwriter for the SAR 1,247 Mn. IPO of Al Masane Al Kobra Mining Company (AMAK) in the first quarter of 2022, and also served as advisor for a mega government project falling under the Kingdom's Vision 2030 strategy. ARC's advisory role was also sought in a number of debt market transactions as joint lead managers, most notably by Bahri – the National Shipping Carrier of Saudi Arabia, the government of Sharjah, and a number of other deals inside as well as outside the Kingdom.

In order to maintain the its leadership position in investments, the subsidiary also established an International Investment Department during the reporting period, seeking to further activate the diversification of international investment products within the company, and increase alternatives for investors.

Al Rajhi Capital (ARC)

Further nurturing corporate synergies between the Al Rajhi Group, ARC assumed the role of financial advisor in Al Rajhi Bank's acquisition of Ejada Systems (refer page 81), a regional leader in ICT solutions. ARC was also appointed as the sole financial advisor and lead manager to Al Rajhi Bank's publicly-listed SAR 10 Bn. Tier-1 Sukuk issuance, with coverage reaching nearly 300% to exceed 125,000 subscribers. As a result, Al Rajhi Capital was the number one trader in the global sukuk market in 2022, as ranked by Bloomberg.

Strengthening the Kingdom's diversifying economy

On the real estate front, ARC entered into several agreements to establish real estate private funds and solidify its leadership in the sector. Chief among these was a tripartite agreement to establish a SAR 1.5 Bn. investment fund with the Tourism Development Fund (TDF) and Ennismore, the world's largest and fastest growing hospitality company, to provide financing for hospitality projects across the Kingdom, and contribute towards positioning tourism as a key driver of Vision 2030 and a diversified economy.

Al Rajhi REIT – the subsidiary's first Real Estate Investment Traded Fund saw an increase in its dividends per share for the second half of 2022, followed by an announcement of a policy change for distributing cash dividends from semi-annual to quarterly, starting from the first quarter of 2023.

Digital developments

With ARC's ambitious digital transformation targets for 2022, and the significance of their timely development for the subsidiary's business, ARC appointed a Chief Digital Officer among other talent recruitments to establish a digital department at ARC in 2022, to manage and implement all digital initiatives in line with ARC's digital transformational strategy.

Most notably, the subsidiary initiated the development of a customer-facing mobile super-app that, upon launch, will see all of ARC's products and services brought onto a single platform, effectively and efficiently enhancing its client experience. This initiative has been supported by heavy investments by ARC across its IT and digital infrastructure, ensuring seamless integration and connectivity across multiple back-end platforms and functionalities.

The mutual funds feature on the primary Al Rajhi Bank (ARB) mobile app was further enhanced in 2022, supporting the 96% YoY increase in total unit subscribers. Clients were also able to view their Tadawul portfolios and monitor the performance of each individual stock natively on the ARB app. All technology and digital enablers implemented throughout the year resulted in over 89% of all trading being carried out on electronic platforms.

By the end of the reporting period, with the development of its new brokerage and asset management platforms going according to schedule, ARC began exploring options to develop and upgrade a few more systems, including its customer relationship management (CRM) system and management information system (MIS), to enhance overall client servicing and operational efficiencies.

Future outlook

ARC will continue the final lap of its 2023 Corporate Strategy, in line with Al Rajhi Bank's overarching Bank of the Future (BOTF) strategy in 2023, and remain on track with the development of its platforms as well as its super mobile app, bringing all its products and services to a single point of access, providing greater convenience to customers.

tuder real estate company

Tuder, Al Rajhi Bank's real estate and property management arm, concluded the reporting period on a note of increased efficiency and higher revenue in a reviving real estate market. In its first year under a new brand identity, the company further consolidated its position in the Kingdom as a leading provider of real estate engineering and consulting services, facility management, real estate documentation and registration, and evaluation of real estate and property.

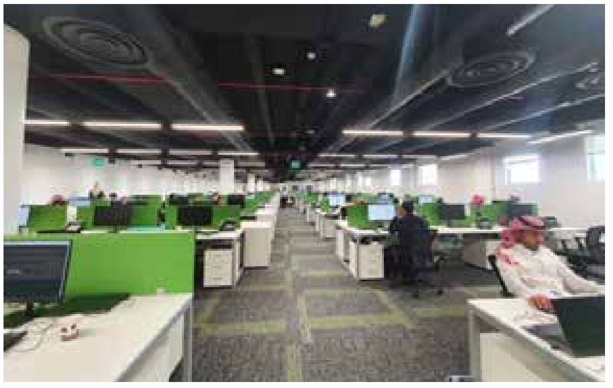
Maximising synergies for cost efficiencies

Tuder exceeded the set KPIs for 2022, driven primarily by improving processes and efficiencies. This was attributed to the company outpacing its own anticipated service delivery times along with expanding its scope of services with Al Rajhi Bank, monetising the subsidiary's offerings by penetrating the Bank's existing real-estate-focused customer base.

Strategic real estate projects delivered in 2022

Neoleap headquarters

The Digital Floor



Tanfeeth headquarters

Tuder also contributed to Al Rajhi Bank's energy management efforts by launching energy-efficiency programmes across its branches and subsidiaries. Solar panels, air conditioner upgrades, window films, power-down equipment and LED lighting among other measures were introduced in 2022 to the Bank's day-to-day operational structure. This timely intervention by Tuder contributed to significant savings of the Bank's energy bill for the reporting year.

By the end of the reporting period, Tuder had also implemented much of Al Rajhi Bank's rebranding initiative across several branches and subsidiaries. Multiple branches were rebranded under the Bank's new brand identity, and new logos were installed on Al Rajhi Tower in Riyadh – the Bank's headquarters.

subsidiaries and international branches

tuder real estate company

2022 highlights

12
branches renovated

9
branches relocated

15
new branches opened

Installation of
855
newly-branded ATMs

Improving operational efficiencies

During the year under review, the company continued to institutionalize its procedures through the Enterprise Resource Planning (ERP) software solution, transitioning the company from manual processes and transactions to automated business solutions as part of the overall digital transformation strategy.

Tuder also initiated a Project Management Lifecycle in 2022, ensuring enhancement in planning, monitoring, controlling, evaluation and business continuity. The company streamlined its processes through revised and improved internal Policy & Procedure Manuals and external Tuder-Al Rajhi Bank Service Level Agreements.

All this was complemented by insourcing highly skilled professionals who ably revamped methods of conducting business during the reporting period.

Future outlook

The coming year will see Tuder formulate a new corporate strategy in line with the Group's strategic direction.

The company will introduce market standard for project management facility management services and will revamp their business model. Tuder also plans to insource safety and security services while also exploring more insourcing opportunities in security solutions.

Tuder's value engineering process will continue to eliminate unnecessary costs across the subsidiary's ongoing projects in 2023, while gradually insourcing highly sought-after services through applicable means.

In line with the overarching Group strategy to maximise synergies between the Bank and its subsidiaries, Tuder will capitalise on its expertise and venture into fulfilling the various real estate needs of the Bank. Improving synergies between subsidiaries will also be explored in the immediate future, with Tuder's existing properties operation and maintenance services being cross-promoted with the Group subsidiaries.

neoleap

A challenging yet rewarding first year

In its first full year of operation, Al Rajhi Bank's financial digital solutions subsidiary Neoleap successfully launched urpay Digital Wallet together with a number fintech products and services, becoming the largest and fastest-growing PayTech provider in the region. The company exceeded revenue, operating income and net profit targets to end the reporting year profitably, and favourably-positioned to increase local market share in 2023.

In a fiercely competitive fintech market that ended the year with 42 companies operating under the Saudi Central Bank's (SAMA) Regulatory Sand Box, of which 23 were fully authorised licenced payment companies, Neoleap faced intense competition when setting up and scaling multiple business verticals during the reporting period.

By offering a full spectrum of seamlessly integrated digital payment solutions and value-added services to banks, financial institutions, merchants and consumers, Neoleap carved out a rapidly growing niche in an exponentially growing fintech market, building a strong and secure fintech ecosystem, and largely contributing towards the Kingdom's 2030 vision of a cashless society.

Neoleap's product and service highlights for the year:

urpay Digital Wallet

Over 3 million customers, and more than 1.5 million cards issued

neogate Payment Gateway

11% of the market share

neoecr Cashier Services

Over 10,000 devices registered during the first year

neoPOS

Over 230,000 point-of-sale (POS) devices in the first year of operations accounting for 15% of the market share

Third Party Processing

Three clients on-boarded during the first year

The subsidiary also introduced bundled fintech services for corporates, tailored based on requirement, a unique offering in the Saudi fintech market.

Technological Leadership and Operational Excellence

With the issuance of the Open Banking Framework by SAMA in November 2022, and the launch of open banking services in Saudi scheduled for Q1 of 2023, Neoleap continued to operate under the SAMA Open Banking Sandbox, securely testing product readiness to strengthen its position as the trusted, authorised Third-Party Provider (TPP) and Payment Aggregator Service Provider (PASP) of choice for banks and financial institutions.

To further strengthen the company's digital payment offerings, Neoleap continued to build strong and secure technology stacks on its infrastructure, application, network and security layers, enhancing capabilities and enabling innovation across the payment value chain. The company also established comprehensive control and risk functions across all five business verticals to further improve on operational excellence and functionality.

Value added services

For the year under review, Neoleap focused on providing seamless in-store and online payment acceptance solutions for merchants, complementing its efforts by drastically bringing down POS installation turnaround time to 48 hours. The subsidiary also leveraged its synergies within the Group to offer merchants POS financing facilities during the year under review. Value added services were also extended during the period under review across both B2B and B2C business verticals to ensure a consistent and satisfactory customer experience through Neoleap solutions.

Attracting fintech talent

A key challenge that spilled-over from the previous year was the shortage of key technical and commercial talent in the relatively new field of fintech, and the retention of recruited fintech experts. Due to the unique nature of its mandate and potential scale of the business, Neoleap was able to position itself as an employer of choice for top fintech talent, investing in nurturing a flexible, adaptive and evolving company culture, and providing fresh recruits unparalleled opportunities to grow alongside the organisation.

Future outlook

Neoleap will continue to leapfrog payment innovation and promote a cashless economy by pioneering new products and services, including solutions for emerging verticals such as marketplace and food delivery.

By positioning itself as both a TPP and PASP within the value chain in the kingdom, Neoleap will continue to build and launch use cases in the market, focused on achieving economic potential and realising strategic alignment with the Group as well as the Kingdom's Vision 2030 in the coming years. Neoleap will continue to grow its local market share by enhancing necessary capabilities for Open Banking in 2023 across people, process and technology based on SAMA's framework.

Having strengthened its baseline and product portfolio during the reporting period, Neoleap will also strengthening its place in a fintech market that is projected to grow exponentially over the next few years.

emkan finance

Growing with an expanding market

With the Kingdom's fast-growing microfinance market expected to cross USD 1 Bn. in the next few years, Emkan Finance, Al Rajhi Bank's recently established wholly digital microcredit arm, recorded a promising 27% growth year-on-year in 2022, powered by investments in tech infrastructure and recruiting top talent.

The reporting period saw Emkan Finance diversify its solutions portfolio by venturing into retail and merchant financing in line with its microfinancing offering, while also providing digitised auto leasing and credit card solutions to its growing customer base. To better service and assist merchant partners, Emkan established servicing booths at select Merchant branches, with 20 booths set-up across the Kingdom by the end of the reporting period.

In a crowning achievement in 2022, Emkan's award-winning mobile app retained its number one position across all fintech and digital financing mobile applications, and remained one of the top five apps launched by a banking or financial service provider in the Kingdom during the reporting period.

The subsidiary was rewarded for its accomplishments in the reporting period when it was recognised by International Business Magazine as the Best Digital Finance Company in Saudi Arabia in 2022. Global Business Outlook recognised Emkan Finance as the Best Digital Financial Service Provider of the year, further strengthening its position as a market leader.

Emkan's customer centricity was also recognised as it was awarded Best Customer Experience Transformation at the BFSI Awards 2022 by Customer Experience Live, the digital customer experience insights and research agency that primarily covers the UK and MEA regions.

Attracting the right talent

To overcome challenges in hiring niche technical talent, the subsidiary embarked on a recruitment drive in 2022 targeting fresh graduates. Emkan's HR department together with its talent management team invested in hiring graduates, equipping them with best-in-class training and certifications that would enable them to expand their technical capacities and explore job rotation opportunities within the IT, digital and information security departments.

Upgrading technology infrastructure to offer unrivalled financing solutions

A number of technology infrastructure and system upgrades were carried out at Emkan during the reporting period to support business growth. These included the introduction of a new, more functionally rich core banking software solution, enhanced integration between multiple financing products and platforms, an Enterprise Resource Planning (ERP) system for optimal performance, as well as more streamlined and automated customer servicing for an enhanced customer experience. A payment gateway was introduced to further strengthen the offering, allowing customers to pay their monthly instalments via the Saudi payment network Mada or by Visa card. Yet another highlight on the technology and infrastructure front was the successful implementation of a comprehensive Disaster Recovery (DR) system at Emkan during the year under review.

Future outlook

In 2023, Emkan Finance aims to introduce financing solutions to Micro, Small and Medium Enterprises (MSME), in keeping with the subsidiary's strategic direction to consolidate its position as a leader in KSA's growing microfinance market. Emkan will step into the new year committed to realise its aspiration to be the one-stop-shop for all digital financing solutions in the Kingdom.

ejada systems

Al Rajhi Bank kicked off the year under review with a widely publicised new addition to its list of subsidiaries when it acquired Ejada Systems Company Ltd, an industry-defining IT services and solutions provider with a prominent tech footprint in the Kingdom and the wider Middle East and North Africa (MENA) region.

The acquisition, completed in February 2022 following approval by the Saudi Central Bank (SAMA), was central to Al Rajhi Bank's digital transformation and to achieving its overarching Bank of the Future (BOTF) strategy objectives.

A balanced approach to growing the business

Post-acquisition, Ejada's strategy was reformulated around strengthening and expanding its digital offerings, particularly in business intelligence and analytics, and in establishing capabilities to support key banking applications and platforms.

New lines of business established by Ejada

- Open Banking offering
- Advanced Services Desk Management
- Cloud Migration, Operation, and Managed Services
- Cloud Application Modernisation

Ejada also established an advanced and scalable Application Development Centre as well as an Application Testing Centre for Excellence, further leveraging the company's renowned on-site and off-shore agile development capabilities, with accelerated delivery times.

Based on its core competencies and new lines of business, Ejada enabled Al Rajhi Bank to streamline the execution of its BOTF strategy, engaging with the Bank and several of its subsidiaries to implement key strategic projects that were vital in achieving the overall strategic targets of Al Rajhi Group during the year under review.

subsidiaries and international branches

ejada systems

Operating as an independent entity under its new ownership, Ejada also focused on strategically expanding its client portfolio by formalising multiple contracts with both public and private sectors. With a host of new clients from the public sector, Ejada completed a number of major national-scale government projects. These projects contributed towards several Vision Realisation Programmes (VRPs), greatly contributing towards realising the Kingdom's Vision 2030 objectives. Existing clients were also ensured of the highest levels of continued confidentiality, as the subsidiary improved its benchmark in service quality and project delivery post acquisition.

Evolving as a key player in the tech-value chain

A number of Ejada's existing tech partnerships evolved during the year under review; The subsidiary became the only Platinum Partner in the MENA region and the Gulf countries to Denodo, a global leader in data management. Ejada also became the only Premier Partner in the Kingdom to tableau, the US based interactive data visualisation company, the only Titanium service partner in the Kingdom and one of two Titanium service partners in MENA to AppDynamics, global leader in Application Performance Management, and one of two Premier Partners in the Kingdom to Alteryx, the leading data science company. In 2022, Ejada became a Platinum Regional Partner of Informatica, the California-based Enterprise Cloud Data Management company and one of the few Enterprise Platinum Partners worldwide. Ejada also entered a number of new tech partnerships as a Registered Partner during the reporting period.

The end of the year also witnessed the subsidiary expand its presence both in the Kingdom and in key markets elsewhere in the world. New competency centres were established to expand the size and capabilities of its off-shore delivery teams serving the KSA market; two new offices were set up in Egypt, one new branch opened in Jordan, and the Company is currently working on opening a new branch in India.

Future outlook

Ejada will focus on building on its new lines of business across the Group and among its clients in 2023. With the Group as an anchor client for these new ventures, the subsidiary remains on track to achieve a forecasted growth in new business revenue. Contribution of revenues from new lines of business is expected to grow further during the reporting year.

al rajhi bank – Malaysia

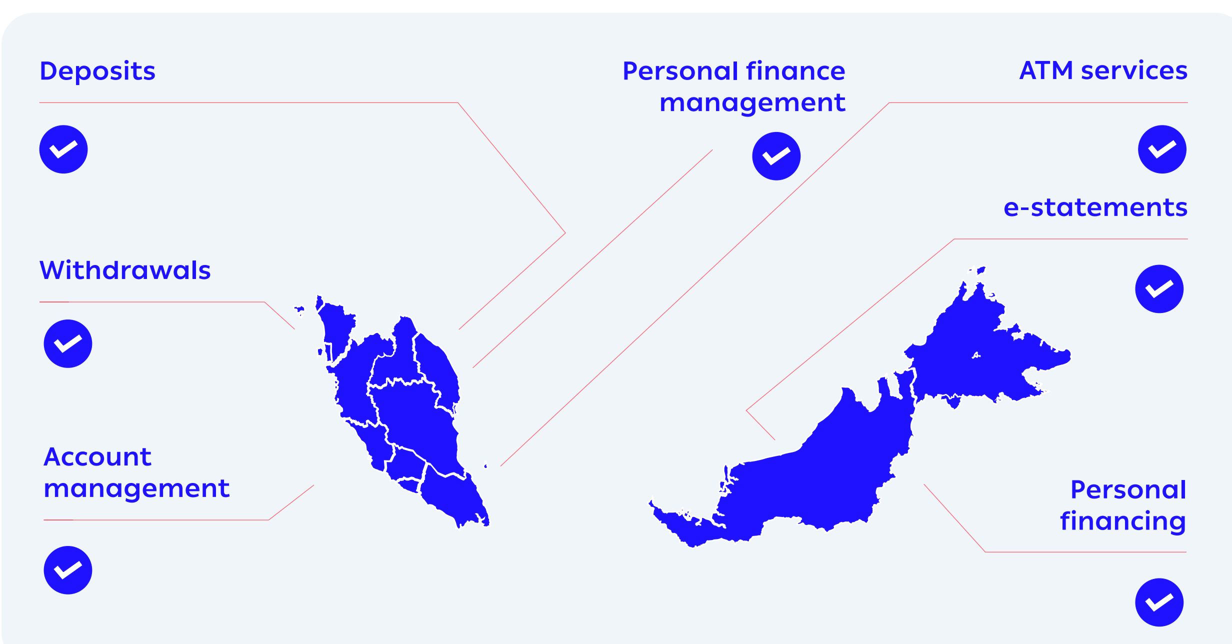
In a year that saw rapid post-pandemic economic expansion in Malaysia, Al Rajhi Bank Malaysia (ARBM) underwent a comprehensive transformation across multiple avenues, ending the year as one of the most competitive banks in the Southeast Asian nation.

ARBM recorded double-digit growth in operating income, deposits and financing while maintaining a below-industry average of non-performing financing (NPF) ratio during the reporting period. With its financing portfolio well ahead of its year-end target, ARBM balanced its asset book with strong Sukuk holdings, which saw an increase of 40% during the year. The significant increase in assets has positioned ARBM to be the 3rd largest foreign owned Islamic bank, from the smallest in 2020. A branch-wide productivity growth of nearly 10% YoY and a cost-to-income ratio (CIR) at its lowest since 2010 saw ARBM more than double its net profits in 2022, closing the year with a strong financial performance and taking its place among the top three foreign-owned Islamic banks in Malaysia.

The “Rize” of digital banking

In line with its vision of becoming the leading Islamic innovation bank in Malaysia, ARBM revolutionised the financial services sector in the country during the reporting period by launching Rize—a first-of-its-kind digital bank. With full approvals obtained from Malaysia’s central bank—Bank Negara Malaysia (BNM) —Rize was delivered in record time and was first-to-market following a highly contested bid for digital banking licences in the country. The cloud-native solution was developed on a scale never seen nor attempted in Malaysia. ARBM partnered with more than 20 of the world’s top technology partners to implement best-in-class tech for an end-to-end digital solution—from web services and core banking to risk operations and financing origination.

Rize offerings



al rajhi bank – Malaysia

The digital bank is well placed to take advantage of a highly competitive market through an extensive product pipeline that will be rolled out progressively. A digital marketplace has been added on to the app and enable various players with seamless customer journeys. The reporting period saw the international branch engage several strategic partners to enrich its propositions inside the marketplace with more exciting verticals, players and functionalities will be included gradually. With Rize set up as a greenfield digital-only bank utilizing a best-in-class tech stack, ARBM stands to capitalise on its investments by being a first mover in the Platform-as-a-Service (PaaS), Infrastructure-as-a-service (IaaS), and Software-as-a-service (SaaS) offering.

Rize's launch introduced several straight-through processes (STP), such as the electronic Know Your Customer (e-KYC) function for account onboarding, commodity trading, and automatic disbursement of personal financing upon regulatory approval, to name a few. With the reactivation of the Bank's Gold Business through improved risk monitoring, a digital gold investment account is also in the pipeline.

Future-ready human capital

ARBM restructured its Retail Banking leadership during the reporting period, announcing several appointments and adding to its highly diverse, young and dynamic senior leadership team. The overseas branch continued to strengthen its brand position as a thought leader in Islamic finance, digital banking, and sustainability. Its young leadership continuously participates in high-profile local and regional industry and media engagements, including events facilitated by Bank Negara Malaysia (BNM), Malaysia's central bank.

The reporting period also saw the overseas branch introducing Darwinbox, a globally recognised cloud-based human capital management (HCM) solution, with the goal of enhancing and enriching the employee experience. This digital transformation of ARBM's Human Resource function seamlessly integrates previous on-premises HR and learning management systems into one, allowing ARBM employees anytime-anywhere access to multiple self-service functionalities. This includes an interactive e-learning function that resulted in an increase in self-enrolment for learning modules during the year.

Parallel to these developments, ARBM's HR policy was revised to incorporate the latest technology and regulatory requirements, along with upgraded employee benefits to meet the Bank's evolving hybrid working environment. A heightened focus on employee health and wellbeing following the pandemic saw ARBM introduce an employee wellness programme during the reporting period that promotes both physical and mental wellbeing and which is complemented by regular branch-wide health awareness sessions.

Part of its growth plan involved ARBM opening a new office in Kuala Lumpur in February 2022 to house its Digital Bank team along with several other divisions. The new office was designed to optimise space and encourage idea generation, collaboration, and innovation among teams. The open-office setting with recreational spaces was introduced by ARBM's Transformation and Change Management Team to nurture an open culture that includes, inspires, and connects employees.

In October 2022, ARBM launched its one-year Digital Graduate Programme geared towards identifying and developing high-potential individuals to be part of the Bank's journey to become the number one Islamic innovation bank in Malaysia. Graduates undergo comprehensive training with global digital transformation pioneers to gain advantages that accelerate their career progression in the Bank.

Expanding business capacities and improving operational efficiencies

With new leadership appointments, 2022 witnessed a transformation in ARBM's Retail banking business, with greater focus on its governance framework, key processes, products, and people. Cost efficiencies were achieved with improved and streamlined customer experiences. A broader range of wealth offerings was also introduced to increase fee income. This was reflected in a positive Retail Financing portfolio growth of 20%.

In Corporate banking, ARBM enhanced its onboarding, credit evaluation, and approval processes in 2022, enabling the overseas branch to efficiently onboard new customers and grow its corporate portfolio. Changes to the pricing model for the Letter of Credit (LC) —Wakalah— product resulted in a 47% year-to-date income increase for the branch.

Treasury income also grew in 2022, with ARBM's diversified Sukuk investment portfolio recording higher yields. The overseas branch also started to engage in a Collateralised Commodity Murabahah (CCM) in 2022 by pledging the Sukuk portfolio. Treasury plans to expand its product offering, providing customers with a greater variety of Treasury solutions and allowing Treasury to hedge balance ARBM's book and diversify funding.

As part of its product diversification plans for the year, ARBM added 12 new products and funds to its portfolio, including multiple new Sharia investment solutions. This was a result of ARBM's partnership with a globally experienced fund house.

Project Perkins—launched in 2021 to streamline ARBM's internal processes for a seamless customer experience— continued to implement initiatives to enhance operational efficiencies across several areas. Customer experience was enhanced by revamping processes for personal financing, CASA account opening, dormant account activation, remittance application, Banca application, Akad (contracts) and customer notifications. The Corporate banking vertical, where the process was highly manual, continued to focus on automating reporting and other calculating functions, while the Know-Your-Customer (KYC) and Operational Due Diligence (ODD) processes for Corporate and Treasury clients were streamlined and centralised in 2022 to improve turnaround time.

The IT Division at ARBM contributed towards improving operational efficiencies during the reporting period with several initiatives; procurement capabilities of the overseas branch were enhanced by transitioning from the Oracle E-Business Suit (EBS) to the Oracle cloud Enterprise Resource Planning (ERP) suite. This along with the transfer of the new Darwinbox HRM platform from on-premises to cloud enabled the Bank to transfer the IT Infrastructure Risk to its service providers.

The implementation of Microsoft365 tools to allow employees to collaborate efficiently and work from anywhere also contributed significantly to improving operational efficiencies in 2022. ARBM's disaster recovery procedures were also redefined in accordance with the changing requirements of its Business Continuity Management (BCM) strategy.

In 2022, the overseas branch participated in more cross-border financing arranged by HSBC Bank Middle East Limited to facilitate Islamic banking in the region. As of 31 December 2022, ARBM was also in discussion with several other candidates, leveraging its future Banking as a Service (BaaS) plans and its digital marketplace. These activities are aimed at expanding and diversifying the overseas branch's reach, customer base and product portfolio. The year also saw the overseas branch implement the national QR standard DuitNow QR with PayNet—the national payments authority, to enhance its payment offerings.

(1) Global Islamic Finance Forum 2022 (GIFF2022) from 4 - 6 October 2022 at Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur – ARBM as Diamond sponsor for the event

al rajhi bank – Malaysia

(2) IFN Oman Forum 2022 was held in October 2022 Grand Millennium Hotel, Muscat Oman

Our CEO, Mr Arsalaan is one of the key panellists during the session on Digitalization and evolution of Omani Islamic Financial Services

Setting the benchmark for sustainable banking practices

In 2021, ARBM was appointed a member of the Value-Based Intermediation (VBI) Community of Practitioners (CoP) of Malaysia, formalising a deeper commitment to generate a positive sustainable impact to Malaysia's recovering economy, community and environment, and an overarching objective to deliver the intended outcomes of Sharia through practice. In 2022, to further this goal, the overseas branch proactively developed a broad-based sustainability framework aligned with VBI strategy and VBI scorecard guidelines. ARBM also completed the classification of its financing customers by their economic activities under BNM's Climate Change and Principle-based Taxonomy (CCPT) guidelines. Through this, ARBM is demonstrating its readiness to encourage financial flows towards companies and projects that meet climate objectives and provide greater transparency in reporting climate-related exposures. During the year under review, ARBM also initiated the incorporation of a few key sectoral guidelines into the Bank's existing evaluation, assessment, and financing processes.

As of 31 December 2022, ARBM continued to support several BNM initiatives, providing financial assistance under the Financial Management and Resilience Programme (URUS) for B50 (low income) individual borrowers/customers who continued to be affected by the pandemic. ARBM also provided financing under the My First Home Scheme from BNM's Fund for Affordable Homes for lower income groups. The branch also promoted financial inclusivity through initiatives targeting the B40 (low income) market segment. These included Personal Financing solutions under a test program, followed by first property purchasing solutions on schedule to be launched in the first quarter of 2023.

Future outlook

Strengthened by prudent risk management, ARBM envisages a continuation of its expansion and double-digit profit in 2023, driven by multiple infrastructure improvements for stronger consolidation between new and traditional channels, and several key projects in the pipeline. This pace of growth is expected to contribute towards ARBM surpassing several financial milestones in 2023. The performance projections are aligned with other indicators that forecast a strong and healthy YoY improvement for the overseas branch.

ARBM will also continue to strengthen its synergies with Al Rajhi Bank KSA in 2023, with various projects on the cards to leverage each other's capacities.

al rajhi bank – Jordan

Driven by IMF-backed structural reforms, the reporting period saw Jordan's economy record faster-than-anticipated post-COVID-19 recovery in a climate of global volatility, and Al Rajhi Bank – Jordan (ARBJ) ended the year on a corresponding note of growth and success.

With the Central Bank of Jordan (CBJ) increasing interest rates among other existing mandates to tackle rising inflationary pressures, the appetite for financing products in Jordan decreased significantly in 2022, a challenge overcome by ARBJ by exploring new avenues of income, expanding existing portfolios and targeting untapped demographics with tailored banking products and financial solutions.

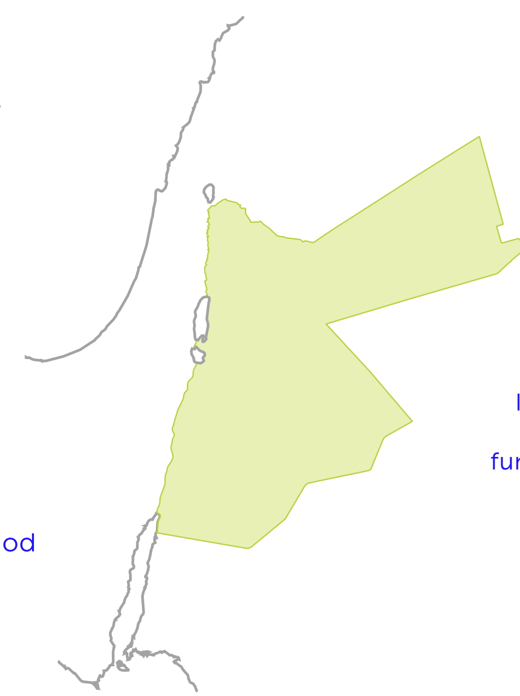
Customer deposits at ARBJ grew by 10% in 2022, and the international branch utilised idle local-currency funds by growing its Sukuk portfolio by 80% in a concerted effort to diversify revenue streams. The reporting period most significantly saw a 36% expansion of its mid-corporate and small and medium enterprises (SME) portfolio, following the launch of a targeted Small Business Financing (SBF) programme.

Results of ARBJ organic growth on both sides of the balance sheet

32%
increase in customer deposits

47%
increase in financing assets in the last five years

Accumulated expansion of
59%
in shareholder equity the preceding five-year period



Additional functionality enhancements initiated in 2022, expected to launch in 2023

Auto registration for SMS services
Updating of SMS mobile number

Improved integration between mobile and internet banking functionalities with an advanced application interface (MEP API)

al rajhi bank – Jordan

An expanding product and solutions portfolio

In 2022, in collaboration with Al Rajhi Bank Saudi Arabia, ARBJ launched a customised home-financing programme for Jordanian expatriates in KSA. An expatriate mortgage financing product was also launched in 2022 to serve the interests of Jordan's own growing expat community, who also make up the high-salaried demographic strategically targeted by ARBJ.

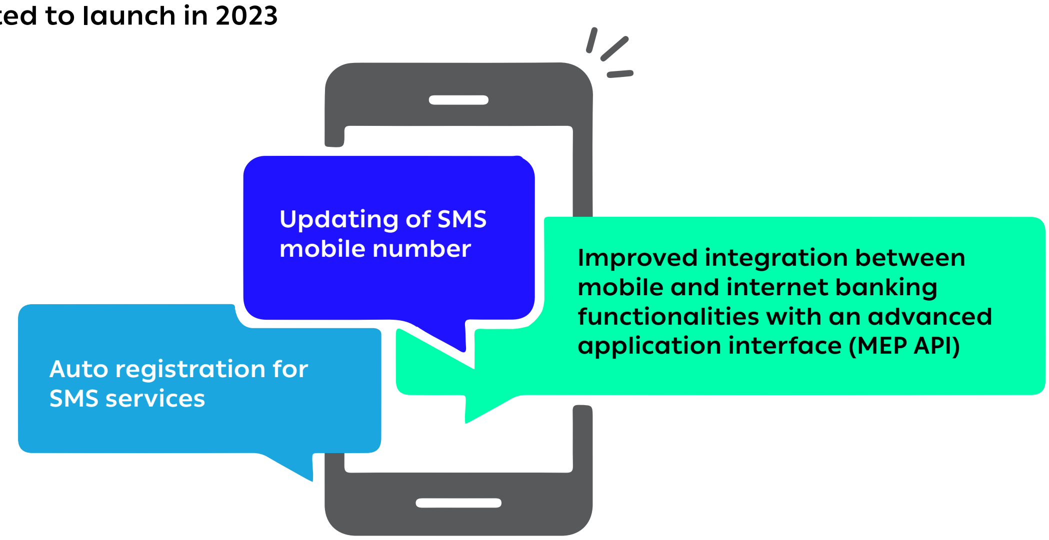
A corporate real estate leasing product was also developed during the reporting period to meet the growing financial needs of corporate clients, and help them take advantage of long-term investment opportunities in a fluctuating real estate market. As of 31 December 2022, the product is ready to go live upon the launch of ARBJ's new core banking system. Plans to launch a Merchant Acquiring Service for the local market are well underway, with it on track to be launched in the first half of 2023.

ARBJ kicked off negotiations in 2022 to introduce BUNA, a centralised cross-border and multi-currency payment system fully owned by the Arab Monetary Fund (AMF), and supported by Central Banks across the Arab region and beyond. The BUNA platform will enable ARBJ to provide customers with modern payment solutions adhering to international compliance requirements. Negotiations are also well underway with a new commodity broker, with ARBJ aiming to diversify commodity providers to its Treasury business.

Digital growth

Making headway in digital banking was an important area of focus for ARBJ in 2022, and the Jordan branch made substantial progress in its core banking system replacement project, having selected ICS Financial Systems (ICSFS), a leading regional banking software solutions provider for its Islamic core banking solution. This will be followed by the implementation of the vendor's digital channels solution with a view to go live by 2024.

Additional functionality enhancements initiated in 2022, expected to launch in 2023



The international branch also continued its migration campaign to register its customers for online and mobile banking, driving the number of registered customers to 56.5% of its total customer base.

Building capabilities

During the reporting period, ARBJ's human resources department conducted a Training of Trainers (TOT) programme for 17 staff members with a view to further strengthen and cascade internal training and development competencies. This initiative supported the launch of the Level-up Programme in 2022, that saw ARBJ successfully fast-tracking the training and employment of 13 fresh graduates from its annual Graduate Development Programme (GDP).

The international branch executed a major overhaul of front-end and back-end processes that resulted in faster and personalised response time across multiple services, greatly enhancing its customer servicing benchmarks. ARBJ also conducted specialised employee-training programmes to facilitate a better and more satisfactory customer experience, particularly with regard to Personal and Home Financing products.

In order to strengthen social relations with employees while also building pride in their work and workplace, ARBJ's Social Committee organised a Family Day during the reporting period, where employee families were invited to spend time at the Bank for a better understanding of its operations and functionality. The event was well received with families being treated to lunch as well as a number of entertainment activities, which were thoroughly enjoyed by all participants.

Nurturing brand loyalty through customer engagement

Extended business hours on multiple interactive channels such as the call centre and social media platforms during the reporting period further increased customer engagement, retention and satisfaction. A contactless feature was introduced at ATMs and card services to enhance usability.

The international branch continued to reflect the new global brand identity of Al Rajhi Bank through its rebranding exercise, successfully completing the rebrand of its official website, and remaining on schedule for its mobile app rebranding, with the launch set for January 2023. The rebranding of ARBJ's internet banking platform Al Mubasher also remained on track during the year. Physical rebranding of branches and ATMs is on schedule to be completed towards the end of Q1 2023, following the successful completion of its design phase during the year.

In a corresponding effort to further strengthen its brand awareness, ARBJ held an introductory pavilion at King Hussein Business Park in Amman in November 2022, to promote and create awareness of the Bank products and services among the business community. The pavilion saw a high level of engagement from employees of major local and global companies located within the complex.

ARBJ's official Facebook page was verified during the year under review, resulting in an 80% increase in followers and passing the 100,000-follower milestone. Steps were also taken to re-establish and verify ARBJ's Instagram account in a similar manner to increase customer engagement and loyalty.

subsidiaries and international branches

al rajhi bank – Jordan

The Al Rajhi Rewards campaign launched simultaneously ensured increased social media interaction, with the Bank offering appealing rewards and promotions to loyal customers. Your Summer with Al Rajhi was another similarly successful campaign that increased customer engagement on social media while creating awareness of the Bank's products and services.

Unify Your Obligations was yet another successful marketing campaign executed by ARBJ during the reporting period, with the aim of attracting new customers to the Bank by purchasing their financing from other banks at competitive Murabaha rates.

Playing a stronger role in financial inclusion

During the reporting period, ARBJ participated in the Global Alliance for Financial Inclusion conference hosted by the Central Bank of Jordan – an important annual forum in the field with the participation of global regulatory institutions and other major stakeholders. Through this participation, ARBJ further strengthened its commitment towards creating and promoting financial inclusion across Jordan and its underserved demographics, and creating dialogue on international best practices on the subject.

This among other commitments and activities carried out by ARBJ won the international branch an honorary recognition by the Saudi Cultural Attaché in Jordan, in appreciation of its continuous efforts in supporting the activities of the attaché during the year 2022.

Future outlook

ARBJ will continue to align with the new identity of Al Rajhi Bank, with plans to relocate to a new head office in Amman in 2023, and board approval obtained for physical expansion of the branch network in multiple locations across Jordan for maximum reach. This brand alignment will be further strengthened with the new CBS being developed to be launched in Q4 of 2023.

The international branch is also laying the necessary foundation to set-up an acquiring business in 2023, with POS lending to be launched following its establishment. Customers will also benefit from new products and services in the pipeline such as a Lease-to-Own programme, as well as a targeted affluent customer offering.

al rajhi bank – Kuwait

In a challenging year defined by tough market conditions, inflationary pressures, interest rate hikes and an aggressively competitive job market, Al Rajhi Bank – Kuwait (ARBK) made considerable progress in digitalisation, high-level recruitment, customer inclusivity and operational efficiencies, ending 2022 on a positive note as the country's banking sector continued to recover.

Coming out strong

With the Central Bank of Kuwait (CBK) partially withdrawing the stimulus package and raising its discount rate (CBDR) from 1.5% to 3.5%, ARBK experienced a YoY increase in its cost of deposits. Early settlement profits were also impacted by an increase in the KIBOR rate, which pushed the market to charge higher profits on new financing, negatively affecting consumer sentiment towards early settlements and buy-outs.

Despite the challenging conditions and tough local peer competition, total deposits at ARBK showed a YoY growth of 5% in 2022, with customers investing their idle funds into term deposits. Prudent budgeting and increased operational efficiencies also ensured a negligible increase in operating expenses for the overseas branch YoY. Most notably, ARBK recorded a significant 46% YoY increase in forex income following a series of high-value transactions.

Building on its successful debut in Kuwait's Sukuk market in 2021, ARBK started building its Sukuk portfolio in-line with its budget for the reporting year, generating revenue well into the second half of the year under review.

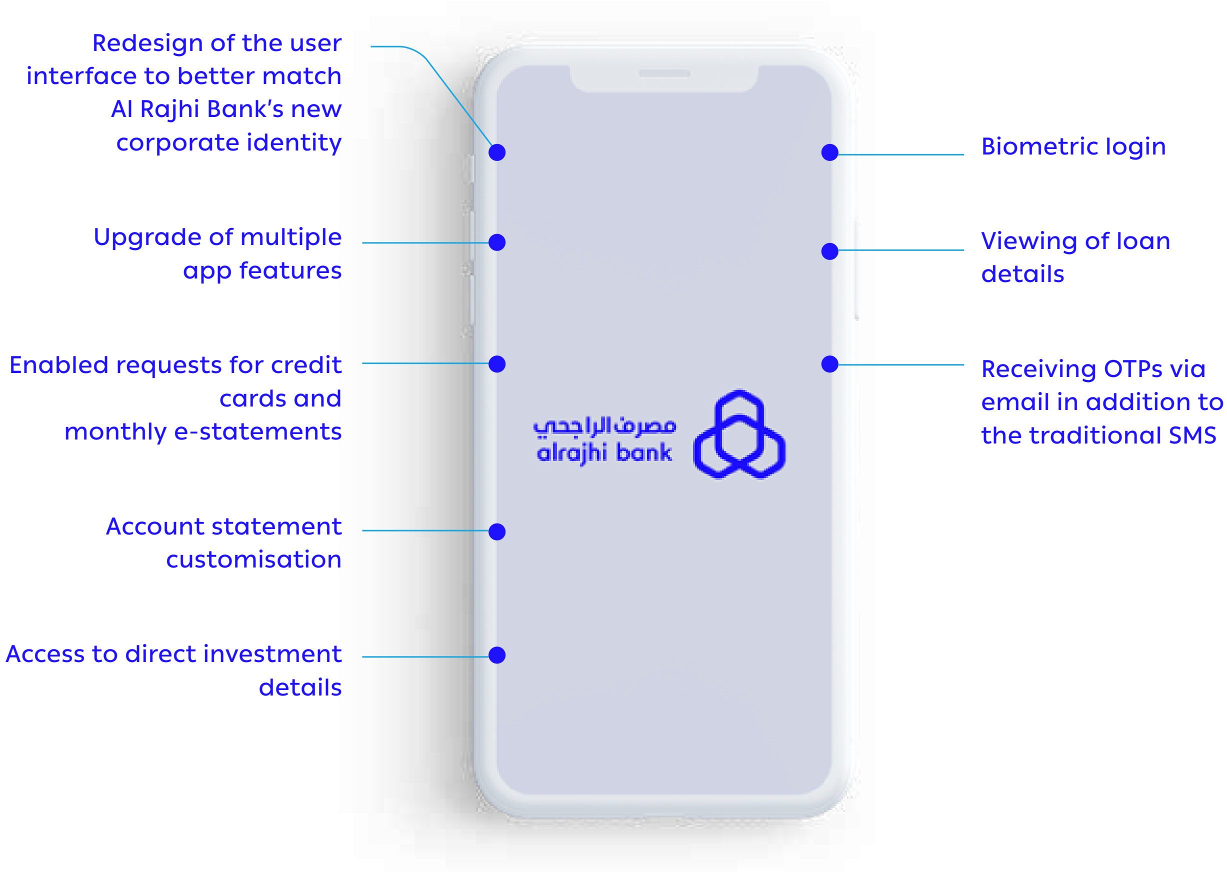
Additionally, strategic leadership appointments made during the previous year helped ARBK greatly increase its agility and efficiencies by enhancing its reporting and decision-making structures, with a new digital team strengthening the synergy between the overseas branch and Al Rajhi Bank KSA headquarters, to enable a smoother flow in approval processes.

al rajhi bank – Kuwait

Growth through smarter banking

The year under review saw ARBK invest significantly in technology, in line with Al Rajhi Bank's broader "Bank of the Future" strategy.

New features introduced on the ARBK mobile app in 2022



SMS banking was enhanced in 2022 with new text messaging templates introduced for transaction updates as well as an efficient communication channel for communication and awareness generation. SMS alerts were also introduced for VISA Electron debit card transactions initiated outside Kuwait. The Interactive Voice Response (IVR) system was upgraded in the reporting period with a view to improving and streamlining customer interactions with the branch. A few pending automation issues were also resolved during the year.

During the reporting period, ARBK introduced the cross-border payment solution Transfast for international money transfer services, enabling customers to leverage its digital and e-channels to carry out their instant financial transactions with ease. A call-back option was also introduced to verify the authenticity of payment requests.

With customers demanding more control and autonomy over their finances, ARBK introduced additional features through its ATM network such as mobile number updating for core banking and e-channels, and changing/resetting credit card PINs, further enhancing customer satisfaction.

Increasing operational efficiencies

During the reporting period, ARBK reviewed all applied tariffs and fees, circulating reports and expected income targets among supervisors to drive their respective teams to conduct follow-ups and collect all services-related manual fees.

The overseas branch also enhanced its counter terrorism financing (CTF) measures in compliance with regulatory instructions issued by the Central Bank of Kuwait during the year under review, in efforts to further mitigate risk and protect its customers, while promoting integrity within financial system.

Achieving excellence through customer centricity

The overseas branch continued to promote financial inclusion, providing specialised translations for blind customers, special screens at ATMs, as well as wheelchair access for customers with special needs and mobility issues. ARBK staff too, received tailored training to better assist and serve customers with disabilities.

ARBK also implemented several initiatives targeting its female customer base, including the introduction of a debit card exclusively designed for women, and working together with Kuwait's Ministry of Education (MOE) to provide sponsorships to its female customer segment. Medical insurance was provided to female employees and family members testing for breast cancer during breast cancer awareness month in October of 2022.

The Sales Team at ARBK initiated a sales drive by targeting segments based on geographic distribution to offer customers greater convenience.

In keeping with Al Rajhi Bank's rebranding in 2021, the overseas branch also reprinted its debit and credit cards during the reporting period, incorporating the new logo design to strengthen brand loyalty among its customers.

Developing human capital

In the face of aggressive recruitment drives carried out by the competition, ARBK was successful in hiring for positions that were hard to fill in 2022. The overseas branch adhered to its steadfast commitment to the government's Kuwaitisation drive, with all departments and units identifying appointments of Kuwaiti citizens for middle and senior management positions, in line with the requirements of the CBK.

al rajhi bank – Kuwait

Successful mid-year reviews followed by morale-boosting increments were accompanied by a renewed focus on training, with ARBK employees provided the opportunity to visit the Al Rajhi Bank headquarters in Saudi Arabia and the Jordan branch for hands-on experience, and to better acquaint themselves with the Bank's corporate spirit. The ARBK team also came together in a show of responsible corporate citizenship, launching a campaign to distribute meals for Iftar Saem during Holy Ramadan.

A mobile app for an HR employee system developed during the reporting period to monitor bank employee performance and activities which will be launched upon securing the necessary approvals.

Future outlook

Faced with growing competition in the digital banking sphere, ARBK will adopt a sharper focus on its digitalisation drive and digital channels going into 2023, and system dependencies uncovered during the reporting period that resulted in several initiatives being put on hold. ARBK envisions a larger social media presence in the year 2023 as part of its digital strategy.

The overseas branch is also in the process of enabling international remittances via its internet banking (Mubasher) service and mobile app. ARBK will also issue Point-of-Sale (POS) to clients.

Plans to improve customer experience and satisfaction in the coming year include the in-house development and implementation of a customer relationship management (CRM) system, as well as enhancing customer touchpoints like the mobile app, call centre, and the branch and ATM network.

On our people front, the Bank plans to strengthen its recruitment process while continuing to comply with the CBK vis-à-vis its Kuwaitisation targets as part of the branch's middle and upper management strategy. Training courses will also be provided along with on-the-job training for those in line for succession.

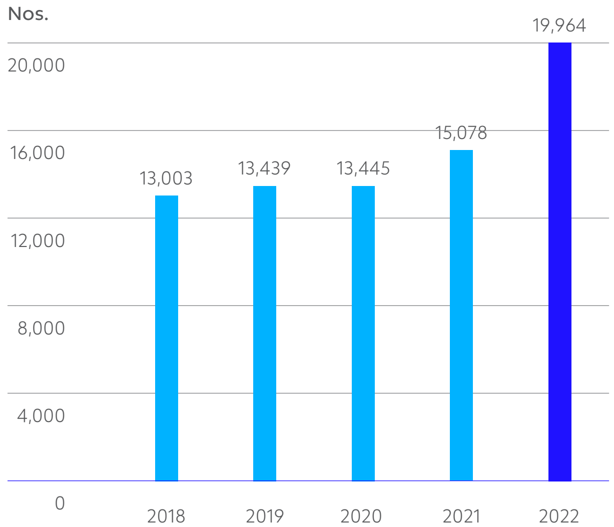
human resources

GRI 2-7 GRI 3-3

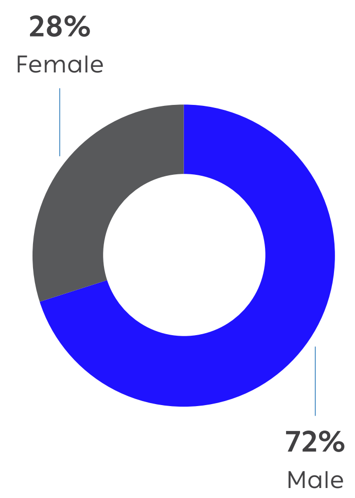
For Al Rajhi Group, strengthening its brand as the employer of choice was one of the core focus areas in 2022, in line with the ambitious target set by the BOTF Strategy. The group continued its momentum from 2021, investing in the development of talent and technology to shape a human capital across all its local and international subsidiaries that is powered by evolving capabilities and augmented expertise. Such efforts during the year under review resulted in Al Rajhi Group's Human Resource (HR) group setting a new benchmark in employee experience, and closing the year with an improved employee engagement index score.

Following the feedback from the annual employee engagement surveys conducted in 2021, actions plans were rolled out during 2022 to address areas highlighted for improvement. Some of these initiatives included improvements across the Performance Management function with enhanced system capabilities to promote more autonomy and transparency; formalising agreements with local and global educational institutions to enrich learning curriculums and improve Learning and Development benchmarks; and creating structured development opportunities to enhance employee mobility and promotions, thereby improving the overall Talent Management function.

Total number of employees



Employees by gender



Al Rajhi Group's consolidated human capital remains its engine of successful value creation, with the 19,964 strong team demonstrating great adaptability to the rapid pace of digital transformation, while driving loyalty and brand value among its customers.

Workforce analysis	2022	2021	2020	2019	2018
Total number of employees	19,964	15,078	13,445	13,439	13,003
Percentage of Al Rajhi Group female employees (%)	28	21	15	16	15
Percentage of Al Rajhi Group local employees (%)	89.07	91.96	91.31	91.14	90.40
Number of employees departed	5,191	2,964	1,781	2,104	2,246
Al Rajhi Group Turnover ratio (%)	19.18	17.30	15.32	15.40	16.56
Al Rajhi Group Total training hours	849,284	590,012	335,747	474,439	456,949

Employees by grade and gender	Male		Female	
	2022	2021	2022	2021
Senior Management	530	403	24	17
Middle Management	1,212	2,592	221	324
Other	12,596	9,185	5,381	2,557

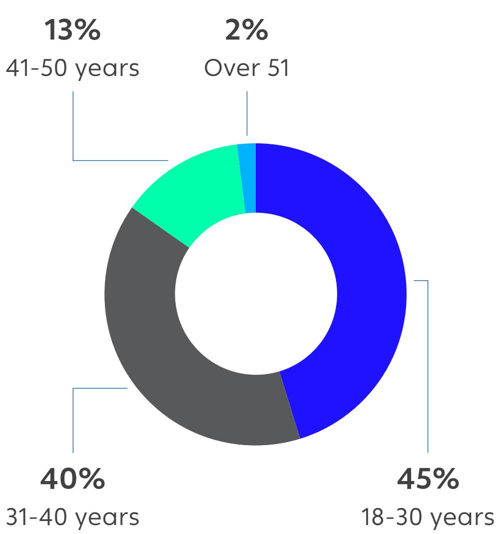
Employees by age and gender

	Male		Female	
	2022	2021	2022	2021
18-30 years	5,082	4,291	3,948	1,775
31-40 years	6,558	5,675	1,334	864
41-50 years	2,351	1,928	297	218
Over 51	347	286	47	41

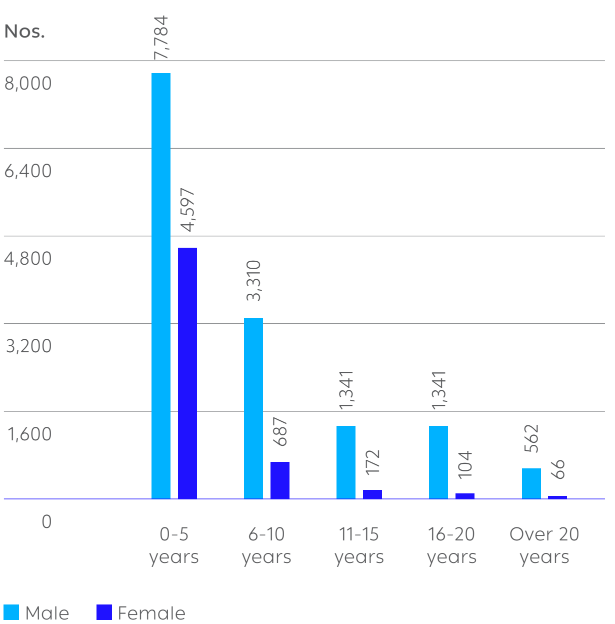
Number of years of service

	Male		Female	
	2022	2021	2022	2021
0-5 years	7,784	5,922	4,597	2,055
6-10 years	3,310	3,434	687	550
11-15 years	1,341	1,168	172	144
16-20 years	1,341	1,053	104	88
Over 20 years	562	605	66	59

Employees by age

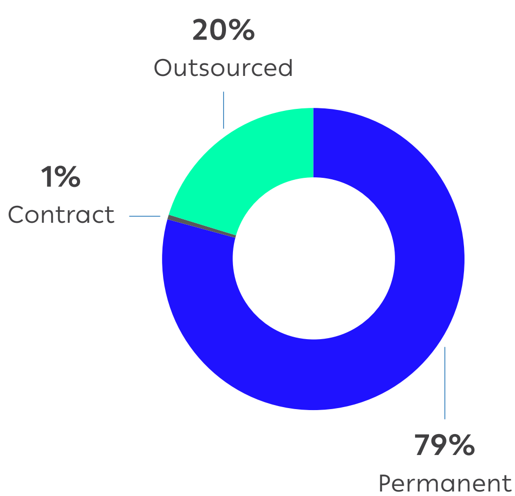


Employees by years of service



Employees by category	2022	2021	2020	2019	2018
Permanent	15,820	10,904	10,773	11,040	10,971
Contract	100	143	167	160	96
Outsourced	4,044	4,031	2,505	2,239	1,936
Total	**19,964**	**15,078**	**13,445**	**13,439**	**13,003**

Employees by category



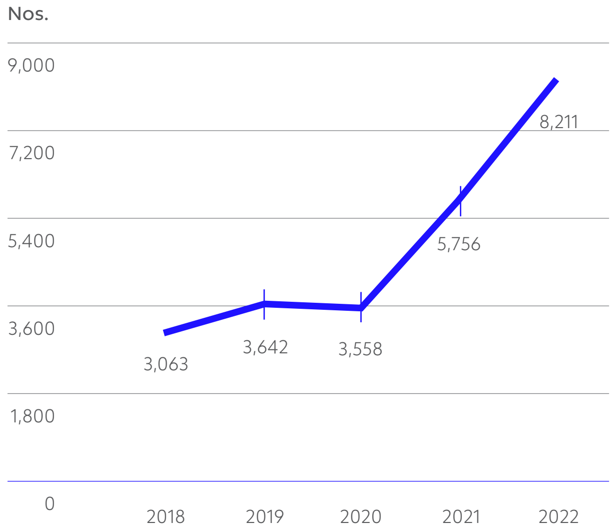
Talent recruitment

Al Rajhi Group hired 8,211 new employees in 2022 to accommodate the back filling of resignations and the business growth across all levels and positions including future skilled subject matter experts and senior professionals. The substantial number of new hires was the result of a focused recruitment drive to discover the best-qualified talent that can meet the demands of Al Rajhi Group's rapid strategic expansion across IT, digital and revenue generating departments in line with the group's growth plans. The success of the recruitment drive was evidenced by the exceedingly high offer acceptance rate, reflective of Al Rajhi Group's repute as the "Employer of Choice" by top talent. This distinction was further enhanced by Al Rajhi Group's brand presence across physical career fairs as well as online professional networks.

GRI 401-1

Total new hires by age group and gender	18 to 30 years			Over 30 years		
	Male	Female	Total	Male	Female	Total
2022	2,882	3,183	6,064	1,584	563	2,147
2021	2,670	1,064	3,734	1,850	172	2,022
2020	1,838	336	2,174	1,307	77	1,384
2019	1,794	627	2,421	1,132	89	1,221
2018	1,558	446	2,004	966	93	1,059

Total new hires



Al Rajhi Group sponsored and participated in several key career fairs to strengthen the group's brand position as "Employer of Choice", and enjoyed a significant increase in applicants during the period under review.

In 2022, Al Rajhi Group showed great progress in its commitment to equal opportunity, and has been recognised as an organisation that empowers and adds value to the role of women in the workforce. Al Rajhi in KSA focused on creating female-friendly as well as female-only job opportunities (such as the Qassim Contact Centre staffed by only females) during the period under review, increasing Al Rajhi Group's female employee ratio from 21% in 2021 to 28% in 2022, a significant achievement in line with the group's diversity and inclusion plans. Female employment was further encouraged with the continuation of appropriate allowances in line with market conditions.

The Bank's investment in high-potential Saudi talent is evidenced by the Graduate Development Programme (GDP), which maintained its competitive edge as the preferred programme and eventual employer for top graduates.

The "war for talent" and the challenge to retain top performers continued to impact the financial sector significantly. Al Rajhi Group maintained its repute and appeal as an employer of choice during the period under review, and continued to strengthen its overall employee value proposition to successfully overcome the challenge.

Talent management

In 2022, the Al Rajhi Group focused on dialling up efficiencies and effectiveness of its talent practices, which were reviewed and duly modified to align with global standards. A key enabler of this process has been the new implemented systems and process, which enabled the HR group to implement a number of new and advanced talent activities in 2022.

Advanced Talent Management Processes and KPIs Delivered in 2022			
Critical Role & Talent Identification	**Succession Planning**	**Talent Pipeline Development**	**Talent/Graduate Develoment and Engagement**
Critical Role Identification:	**Identification of Successors:**	**Academy Talk:**	**Enhanced Framework:**
Exercise carried out to identify roles that could pose significant risk if left vacant.	Choosing successors for the critical roles identifed based on talent assessment	Building broader capabilities and perspectives with experts from a wide range of industries, for senior levels	To highlight deeper career progression and increase retention
Talent Assessment:	**Structured Development:**	**Transition Programmes Management:**	**High-Level Engagement:**
Applied across employee levels to assess talent that complements the group's current talent needs.	Formulating plans for development of identified successors	Helping talent transition effectively into supervisory and managerial levels	Building a high-performing talent pipeline with frequent engagement opportunities

Talent retention

The Emerging Talent Development Programme greatly contributed towards retaining skilled employees in a fiercely competitive market. As an example, during the reporting period the Bank enhanced the talent development framework for skilled employees by introducing two programmes:

- **Leadership Transition Programme:** Aimed at preparing managers transition smoothly to higher leadership positions. In 2022, this development opportunity was extended to employees transitioning to Director level roles.
- **People Management Programme:** This programme successfully trained and equipped applicable supervisory level employees aimed at taking managerial level positions with the skills and competencies.

Employee remuneration and other benefits

The group provides employees with market and performance-driven remunerations. The fixed salary revision was carried out for all eligible high-performers in 2022, with all variable incentive payments and bonuses paid in line with the remuneration strategy to pay for performance. The group continued to offer market driven competitive allowances to boost employee morale and strengthen the employee value proposition. as an example, Al Rajhi Bank continued to pay vacation allowance of one basic salary paid semi-annually and made celebratory payments to over 5,000 employees for special occasions, with a total of 1,220 employees receiving well-wishes and gifts from the CEO. Another example is the launch of Savings Scheme 2, which is a two-year programme designed to encourage and nurture an exemplary culture of saving with over 5,600 employees of Al Rajhi KSA subsidiaries participating.

All employment contracts were standardised to provide consistency and assurance to new hires in line with relevant laws and regulations.

GRI 401-2

Salaries and Benefits SAR '000	2022			2021		
	Fixed and variable compensation	Variable compensations paid		Fixed and variable compensation	Variable compensations paid	
		Cash	Shares		Cash	Shares
Executives	**50,693**	**23,996**	**55,595**	48,198	22,954	42,322
Employees engaged in risk taking activities	**590,626**	**189,914**	**32,479**	686,464	202,368	22,242
Employees engaged in control functions	**214,190**	**41,174**	**26,857**	251,636	48,160	19,241
Other employees	**1,804,438**	**313,694**	**46,344**	1,591,335	321,356	34,675
Total	**2,659,947**	**568,778**	**161,275**	2,577,633	594,838	118,480
Accrued compensations in 2022	**247,731**	**-**	**-**	231,087	-	-
Other employees' costs	**487,513**	**-**	**-**	323,626	-	-
Gross total	**3,395,191**	**568,778**	**161,275**	3,132,346	594,838	118,480

GRI 401-3

Parental leave in 2022	Male	Female
Number of employees who took parental leave, by gender	1,249	265
Number of employees who returned to work after parental leave, by gender	1,249	265
Number of employees who returned to work after parental leave who were still employed 12 months after return, by gender	1,223	262

HR Governance

While the group upholds recognised standards and principles for labour practices, it also strives to ensure safe and fair working conditions and practices through regularly reviewed policies, creating an envir onment that allows employees to feel protected and encouraged. The group strengthened its HR Governance Department during the period under review to support its transformational journey, and proactively act as the second line of defence for the HR group by providing assurance on matters of compliance with all regulations and laws.

Additionally, the KSA Internal Company Bylaw was updated to ensure better clarity and awareness on the governance structure for the benefit of the employees. The group continued to be aligned with local regulations and practices.

GRI 403-1

As an example, the Bank's Petition Committee streamlined its procedures to improve the petition submission process for employees and is fully compliant with new rules and regulation pertaining to occupational health and safety (OHS) requirements and launched several employee health checks and wellbeing awareness programmes throughout the year.

Policies and Communication

GRI 2-26

Al Rajhi Group remains steadfast in upholding a number of policies to provide a working environment that is fair and safe for all. The Whistleblowing Policy, Grievance Policy and other modes of communication remain firmly in place for employees to be able to raise concerns about their workplace.

The applicable policies were revamped in 2022 to include all relevant updated rules and regulations, and align with market conditions and development to ensure employees receive clear guidance and fair benefits. Al Rajhi Group has in place safe communication channels for whistle-blowers, including both an anonymous hotline and email address, allowing employees to report their concerns from outside the workplace. For grievances, there are special channels where employees are enabled to submit a grievances which will be escalated to the relevant stakeholders, who in turn takes immediate and appropriate action.

Employee engagement was further improved by enhancing exiting communication tools and channels. As an example, physical engagements and communication alignment between Al Rajhi Bank regional branches and the Head Office have improved with frequent visits to regional branches from Head Office Management. The group's employee communication channels include:

- Annual Employee Engagement survey
- Senior management meetings and messages

- Employee email updates
- Circulars
- HR newsletters
- Periodic news broadcasts
- Whistleblowing policy
- Grievance policy
- HR self-service mobile app
- HR hotline
- Town-halls

Any and all organisational changes impacting the group's employees are communicated in alignment with relevant labour laws. The Bank also capitalises on its digitised HR systems as communication channels to regularly update employees with such relevant changes.

Learning and Development

Al Rajhi Group has always been committed in investing towards structured learning and development solutions using blended learning approaches such as classroom, virtual, e-learning, on-the-job, certifications, coaching and mentoring. The Group carried out a deep learning needs analysis to identify knowledge and skill gaps when designing and implementing interventions tailored to suit the needs.

As an example given below is a summary of learning & development interventions pertaining to Al Rajhi Bank.

In 2022 more than 150 top-graduates successfully graduated from ARB Graduate Development Programmes (GDP), and an additional 103 were on-boarded as part of the Bank's strategy to recruit young Saudi talent and groom them to become future leaders. The Bank has on-boarded over 500 graduates since the inception of the program in 2015, and periodically revamps the programme structure to align with emerging market trends.

The GDP also aims to bridge emerging skill gaps in digital, IT and cybersecurity as a result of ongoing digital disruptions in the banking and finance sector, and introduced "gamification" – a digital learning solution that significantly enhanced the overall engagement, interaction and active participation of over 10,000 participants. The Academy also partnered with a number of leading international schools to introduce several e-Learning courses as alternative learning solutions to meet business challenges.

Taleem – the Academy Learning Management System (LMS) – was upgraded with additional features such as pathway learning, online evaluation and development tracking during the reporting period, enabling both the Academy and the employees to maximize mutual benefits with measurable results. A total of 7,185 employees accessed Taleem during the year under review, and enjoyed exclusive learning content and benefits from the upgraded system, including autogenerating of certifications for successfully completed modules and courses

A number of specialised trainings and certifications were also facilitated by the Academy during the year under review; The Bank's focus on increasing female employment opportunities saw the Academy recruit and train more than 1,700 new female agents to staff the female-only Contact Centre in Qassim. The Academy also facilitated training programs targeting female employees, completing more than 10,000 training hours during the reporting period.

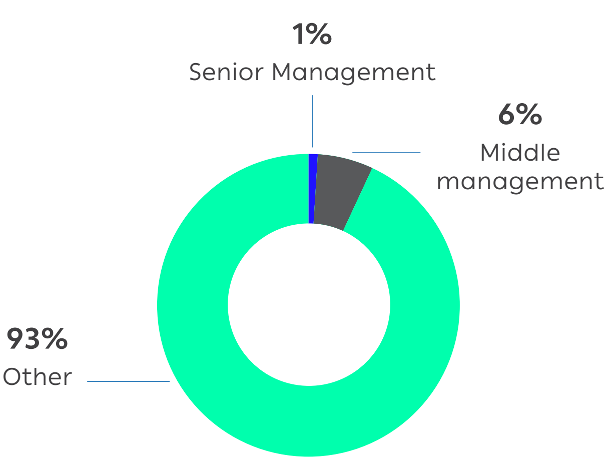
Progress of the three mandatory SAMA certifications saw a total of over 9,000 ARB employees certified to date, and business-specific simulation-based training was introduced to Retail Banking and IT divisions as they transitioned to the Bank's new digital core system. Focused leadership development programs for senior management and leadership cadre continued, aligned with their leadership assessment feedback and development needs of the Bank for the year under review.

GRI 404-1 GRI 404-2

Al Rajhi Group Employee training	2022	2021
Number of training programmes	2,351	1,109
Total number of participants	26,474	15,322
Training days	141,547	98,335
Hours spent on training	849,284	590,012

Hours of training by grade	Total hours of training
Senior Management	4,217
Middle Management	46,364
Other	765,447

Hours of training by grade



Employee training by gender	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Mandatory	4,499	3,732	8,231	51,587	55,962	107,549
Non-mandatory	9,104	7,841	16,980	343,988	360,469	704,457
e-Learning	7,393	4,805	12,198	107,019	31,548	138,567

Employee training by category	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Senior Management	186	71	257	3,786	399	4,217
Middle Management	3,835	4,037	7,872	30,538	14,581	46,364
Other	10,085	8,121	18,207	361,648	401,882	765,449

Hours of training by skill type	No. of persons trained	Hours training
Technical skills	16,565	577,308
Soft skills	9,743	238,384

The catalytic roles of technology and innovation in HR

HR Group embraced Al Rajhi Group's strategy of "unbank the bank" through the application of sophisticated technology solutions to join-up with all its subsidiaries to ensure robust HR services delivery to its employees. Continuous investment made in enhancing and implementing best in class HR-MIS solutions to create a stronger employee experience through end-to-end HR digitize service solutions.

As an example, more features were added to Al Rajhi Bank's Recruitment and On-boarding System during the year following an end-to-end review of the process, increasing efficiencies by around 50% YoY, and delivering a faster, automated on-boarding experience. Automation of the Bank's recruitment offer approval reduced a 2-week turnaround time to less than 5 days.

Enhancements across the Bank's Management Information System (MIS) paved way for the automation of multiple HR functions. This comprised the automation of total rewards, incentive calculation, attendance tracking of employees through geofencing, internal hiring requests, and enhancements to the SAHL mobile app that enabled the Bank to continue utilising it as the single point of contact for all employees with more flexibility as well as greater efficiency, further improving the Bank's employee value proposition.

Innovation and new thinking were encouraged among employees with the "My Idea" initiative implemented by the Bank, where employees with the most innovative and value-adding ideas were rewarded upon implementation of their projects. During the period under review, the Bank accepted 21 ideas, 5 of which were successfully implemented.

Future outlook

The HR group will continue to implement the Board approved HR strategies focusing on future skilled talent acquisition, enabling to deliver on key strategic imperatives. Best in class learning and development solutions will be continuously formulated to bridge emerging competency gaps. The HR group will also continue to revamp the employee value proposition aligned to market developments, maintaining and improving the employee engagement score and employee satisfaction ratings, thereby delivering sustainable business growth.

marketing and customer experience

GRI 3-3

In a year of marked growth in the financial industry amid the vagaries of global markets, Al Rajhi Bank applied a digital-first marketing strategy, utilising digital channels, emerging technologies, data analytics and insights to promote innovative financial products and services, and create an unparalleled customer experience, a strategy that yielded significant results during the reporting period.

Al Rajhi Bank's digitalisation drive led to a more enriched, vibrant customer experience during the reporting period as evidenced by the Bank's top-down Net Promoter Score (NPS) of 75% for conventional banking and 78% for digital banking, the latter against a competitor average of 61%, making Al Rajhi Bank the Bank of choice for the evolving, digitally-adept banking customer.

Al Rajhi Bank also took measures to provide its customers with a more rewarding loyalty experience by further enhancing and enriching the Bank's Mokafaa loyalty program in 2022. Such focused efforts resulted in Mokafaa achieving the top NPS, Customer Satisfaction Score (CSAT), and Customer Effort Score (CES) in the Kingdom for the year under review.

Enhancing brand perception

Since the launch of the "unbank the bank" brand identity in 2021, Al Rajhi Bank has taken to its digital channels to creatively communicate new brand principles. These channels recorded increased engagement in 2022, with higher channel integrity that strengthened top-of-mind awareness and positioning of the brand. Supported by positive customer feedback on the facelifted logo, the modern brand identity allowed Al Rajhi Bank to penetrate the youth market with an approachable tone of voice, through the right mix of channels.

This more emotion-driven brand voice served to strengthen Al Rajhi Bank's YoY brand positioning as a bank that is trusted, accessible, affordable and innovative, and contributed towards increasing the Bank's brand power score by 40.3% at the end of the reporting year.

Al Rajhi Bank's partnership with Visa to launch the global "She's Next" initiative for the first time in the Kingdom also served in terms of greatly enhancing the Bank's brand perception as a leader in the financial sector, and brand sentiment for nurturing financial inclusivity across the Kingdom. "She's Next" is a global advocacy program that aims to economically empower women entrepreneurs and small business owners through grants, funding opportunities as well as practical insights that help them grow their businesses, and aligns with Al Rajhi Bank's BOTF Strategy as well as it's ESG agenda.

The Bank tracked its "Brand Health & Equity" in 2022 in conjunction with a few ad-hoc market research studies that were carried out on customer behaviours, banking preferences and other aspects in the course of the year, in a concerted effort to better understand customer expectations.

The digital impact

The Bank's customer experience was largely enhanced by its industry-transforming digitalisation agenda, which saw a large collection of customer touchpoints directed towards high-performing, highly responsive automated systems, creating greater efficiencies for Al Rajhi Bank customers, and enabling more instances of self-service and the ability to better manage their finances.

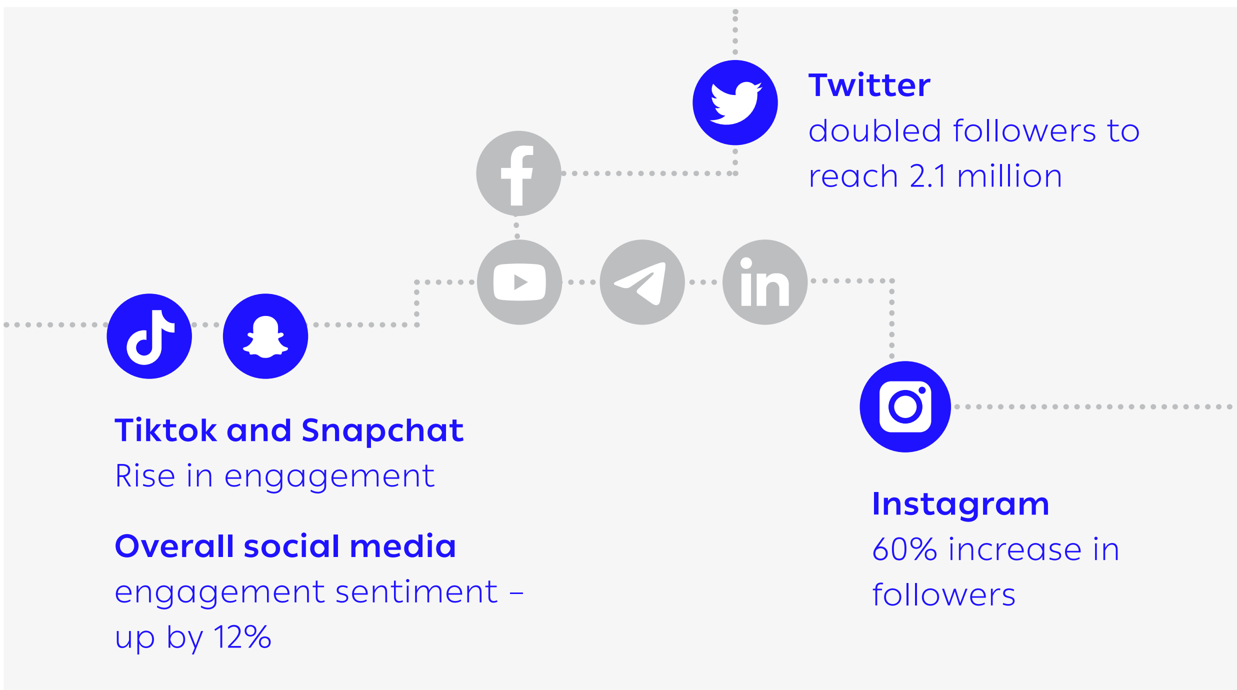
The increased use of digital channels during the reporting period allowed the Bank to collect information, customer data and feedback instantly, and gain insights to improve messaging, channel selection and creative style, which were then applied across those same customer touchpoints, creating a continuous improvement cycle based on actual customer usability.

In 2022, the use of digital channels for the Bank's marketing campaigns resulted in a higher success rate and reduced cost, despite increased competition across digital marketing channels by new entrants such as fintechs. Major campaigns launched in 2022 such as the highly anticipated "blue week" discount offers with Al Rajhi Bank cards comprised multi sub-tactical campaigns that were planned, managed and executed using only digital channels, which offered the advantage of segmentation and targeting.

During the reporting period, the Marketing team explored a number of emerging technologies and tools for marketing automation. Prominent among these was a Campaign Management

System, which allowed the Bank to design cross-channel customer experiences and provided an environment for visual campaign orchestration, interaction management, and cross channel execution. A Content Management System used to create, publish, and manage content on websites and apps was also successfully deployed in 2022.

More "social", more "media"



Al Rajhi Bank's creative use of rich content led to an overall social media growth of 113.7% during the reporting period, with the follower count on Twitter doubling, and an increase of almost 60% in Instagram followers.

As part of Al Rajhi Bank's new brand strategy and emotion-driven tone of voice, the Bank's social media engagement sentiment increased from 34% in 2021 to 65% in 2022, an improvement demonstrated by the type of conversation generated by the Bank's communications as well as the emergence of organic brand champions and advocates on social platforms.

Data-driven social media tools were used to create more targeted campaigns during the year under review, and the resulting engagement and behaviour of the target audiences helped the Bank develop more meaningful and impactful communication. The Bank also took into account emerging social media platforms such as Snapchat and Tiktok as well as high engagement channels such as Twitter to ensure an evolving and comprehensive marketing effort.

Outside of social media, the Bank continued to successfully utilise more traditional, automated channels such as SMS, push notifications and e-mail, enabling highly targeted and relevant communication with customers based on predefined use cases, improving the overall interaction between brand and customer.

Rewarding loyalty with exclusivity

In line with the overarching BOTF strategy, Al Rajhi Bank reinforced the Mokafaa loyalty program with multiple enhancements and product offerings in 2022 to provide an even more rewarding experience to its loyal customers, and closed the year recording exceptionally high growth across all aspects of the program. More focused improvements on the loyalty program were carried out following a market research study carried out by the Bank during the reporting period, gaining insight to customer expectations from loyalty programs, as well as customer redemption behaviour and their overall perception of Mokafaa.

Over 30 new Al Rajhi Bank products became eligible for point-earning during the year under review, with the program adding products and services from the Bank's subsidiaries as well as other partners, as external sources of loyalty point accruals.

Mokafaa member engagement increased significantly YoY due to exclusive and enhanced product and engagement offerings, with active earners during the period growing by 320% and active redeemers by 220%. The partner network doubled in 2022, directly contributing to a 62% increase in customer registrations, with the Mokafaa loyalty base approaching 6 million members at the end of the reporting period. The 250% increase in points redemption YoY evidenced the high level of customer interaction with the program, and its elevated level of appeal.

Mokafaa's availability in native app format in 2022 greatly enhanced the program's user experience, allowing members to easily access points balance, transaction history, the partner panel, vouchers, etc., from the app instead of the previous web-based portal. The app also offers a new, exclusive eMall feature, where members can shop online and earn points from over 300 merchants based in KSA as well as the UAE, UK and the US. Other upgrades included event notifications and in-app features enabling the exchange of points with airline miles, and the donation of points to top charities in the Kingdom.

On average, Mokafaa ran five to six campaigns per month across various channels during the year under review, with the loyalty program recorded a high loyalty newsletter open rate well ahead of the global financial industry open rate, with a click-through rate (CTR) around four-times higher than the global financial industry CTR average. Such impressive rates complemented by the program's leading NPS among other customer satisfaction ratings, demonstrates Mokafaa's position as the top loyalty program in the Kingdom in 2022.

Future outlook

Al Rajhi Bank's strategy for the new year is to continue working on enhanced, rich content for marketing and customer engagement. This will be complemented with the promotion of user generated content, and targeted marketing for the youth segment through Gen-Z social media platforms such as TikTok and Snapchat.

Following a commercial remittance study conducted by the Bank during the reporting period, and understanding the behaviour, preferences, pain-points and wish-lists of corporate customers, the Bank will focus on enhancing the corporate customer experience to be on par with that of the Bank's highly satisfied personal banking clients.

shared services group

GRI 3-3

Timely endeavours by the Shared Services Group in fast-tracking ongoing and planned projects in 2022 helped Al Rajhi Bank maintain its leadership position in a year that built continuous pressure on Banks with new entries in fintech causing much disruption.

The Shared Services Group (SSG) continued to engage in rapid automation across all business units and subsidiaries in order to reduce product and process complexities and enhance customer experience, delivering system upgrades and other product enhancements during the reporting period.

Information Technology (IT)

The rapid acceleration of the Bank's digital transformation drive in 2022 saw Al Rajhi Bank become the Kingdom's number one brand in digital banking, an achievement made possible by future-proofed technological infrastructure and bleeding-edge systems upgrades.

The Systems Modernisation programme continued in 2022 with scheduled upgrades and off-loading of legacy mainframes, migrating existing systems from legacy to a digital-first core-banking platform, and converting the Bank's legacy applications to an event-driven architecture. By making complex event processing possible, the IT team enabled higher customer engagement, while enabling the Bank to up/cross sell products in real time. These upgrades enabled asset re-use between the Bank and its subsidiaries, enhancing resource utilisation and driving cost effectiveness at Group level, while improving performance and system availability.

With unprecedented transaction growth during the reporting period, IT faced the challenge of sustaining the Bank's growth momentum alongside the rapid migration to the new digital core. IT averted any business impact through proactive capacity management, standardising product arrangements and optimising end-of-day batches for high efficiency, among other measures. As the migration continues through 2023 with complex products such as mortgage, IT is well positioned to handle any future challenges through infrastructure and architectural simplification.

With e-invoicing going live across the Kingdom in December 2021 under the purview of the Zakat, Tax and Customs Authority (ZATCA), the Bank's VAT system was integrated with ZATCA's Fatoora e-invoicing portal during the reporting period. This enabled online invoice delivery, with automated reconciliation drastically reducing processing times from five hours to one, contributing towards an enhanced customer experience.

Personal finance products were digitally rolled out as part of the Bank's core banking transformation programme this year. The Micro and Small Business (MSB) transformation programme also launched digital journeys along with conventional product and service offerings for Point of Sales (PoS), Business Instalment Financing (BIF) and e-Commerce facilities, as well as the conventional journey for Fleet Financing.

During the reporting period, IT also upgraded the Bank's multifactor authentication technology based on the NetIQ Advanced Authentication Framework (NAAF), enhancing user experience and performance in Retail Banking and HR. The implementation also simplified programming interfaces between the Bank's systems, and improved the performance of the overall Core Banking application.

An all-new Microservices platform was implemented during the reporting period to split larger applications into smaller modules that are independently deployable, fully automated and highly efficient. The highly scalable, cloud-ready platform enhanced system resilience and minimised downtime by allowing the development of easy-to-deploy apps that support agile delivery, and are ready for market faster. The platform's scope will also cover the integration of identity management via mobile authentication, Microservices Middleware and the e-Corporate channel backend.

The Bank's Digital Factory delivered around 300 projects in 2022, with a view to widen the customer base and boost customer adaptation to digital channels across both Retail and Corporate Banking. Improvements in Online Customer Onboarding, Digital Capabilities, Personal Finance, Mortgage & Auto Finance, Marketplace, Cards, and Loyalty were also carried out during the reporting period.

The reporting period also witnessed the implementation of Personal Finance Management (PFM) and Business Finance Management engines. As part of the Bank's digitisation strategy and ease of work policy, implementation of the new edition of SAHL – Al Rajhi Bank's employee self-service app – was a great success and received positive feedback from management and employees. Al Rajhi Bank employee loyalty and benefit initiative Testahl is also being integrated onto the SAHL upgraded system.

Other planned and new automation processes introduced by the IT team during the year under review helped streamline and expedite customer journeys, while greatly improving internal operational efficiencies. For loan approvals, an instant approval engine was implemented for all finance requests submitted by customers through branch or digital channels. Notably, the Bank's automated accounting integration platform also reduced development times for new products from an average of two weeks to less than a day.

The IT team automated and upgraded a number of HR systems and processes, including the implementation of the first Cloud-based talent management solution, with more systems scheduled to be migrated to the cloud in 2023 in line with the Bank's Cloud Migration Strategy. The streamlining and automating of over 40 business processes during the year has enabled faster online delegation, improved transparency, reduced lead times and contributed to improved decision-making across the Bank's HR function.

The Bank heavily invested in technological capacity building for its existing employees to meet the rapid pace of the Bank's own technological transformation during the reporting period. Over 260 employees were trained across numerous systems and applications.

Business Continuity and Crisis Management

In 2022, the Business continuity Management (BCM) team continued to improve the Bank's culture of continuity by integrating its regulatory requirements within the policies and procedures across various departments. This effort was complemented by raising awareness internally across all departments through workshops and a variety of practical drills. The BCM team supported the business in launching 47 new products and services, conducted 81 business impact analysis (BIA) reports, completed 6 comprehensive threats risk assessments (TRA) with all treatments and mitigation controls, and developed 18 business continuity plans (BCP) across the Bank.

With greater significance placed on strong contingency plans in the event of unexpected and unprecedented interruptions to operations, the BCM team successfully conducted 10 major tests across all lines of business in 2022. These comprehensive tests helped verify the effectiveness of BCM team procedures, measure the level of achievement of specific recovery time objectives (RTOs) related to business processes, evaluate adequacy of recovery capability in recovery sites and identify weaknesses and gaps, and identify opportunities for improvement. The tests also helped evaluate the adequacy of the training and awareness provided by the BCM team to relevant stakeholders, enabling the BCM team to concisely communicate to all stakeholders including the Bank's subsidiaries and international branches, their roles, responsibilities and authorities if faced with a crisis.

The tests carried out in 2022 included a simulated complete power outage at the Al Rajhi Bank headquarters and Operations Center, which required relocation of critical staff to designated Data Recovery (DR) centres. This was followed by a simulated, unannounced spear phishing attack on 250 targeted employees, to measure the capability of the Security Operations Centre (SOC) team to react and address the challenge. Other multiple Interruption DR Tests and Controlled DR Drills were successfully carried out at Al Rajhi Bank during the reporting period, including non-disruptive failover testing, alternative workspace testing, live DR testing as well as a simulated Distributed Denial of Service (DDOS) attack to verify the Bank's cybersecurity response.

During the year, as part of its Vendor Continuity Programme, the BCM team evaluated 89 vendors and 95 contracts related to key services identified through the business impact analysis, and cooperated with several departments such as Legal, Procurement, Risk and Compliance to ensure that continuity requirements are included in all contracts. Apart from multiple workshops, the BCM team also launched an e-learning programme in 2022 as one of the mandatory courses to be completed within the first three months of joining for new recruits.

Centralising Operations through Tanfeeth

In 2022, Al Rajhi Bank's Business Operations unit for Process Excellence was transformed as part of its "unbank the bank" business model and relaunched as Tanfeeth, incorporating Managed Operations, Staffing Solutions, Automation Services and Contact Centre Operations to its mandate.

In line with the Bank's ambition to be a stand-out industry leader in superior customer experience, over 166 key processes were automated using Robotic Process Automation (RPA) by Tanfeeth across Corporate, Retail and Enterprise operations, resulting in a significant annual cost optimisation.

Through Tanfeeth, which literally translates to "getting the job done", the Shared Services Group is committed to deliver on its promises cost reduction and customer experience enhancement. These objectives are expected to be delivered across the pillars of Digitisation, Workforce Optimisation, Enterprise Capabilities, and Control and Analytics solutions going forward.

The transition of operations to Tanfeeth saw the Bank's overall operational performance improving by over 30% YoY despite a 25% increase in application volumes attributed to sales growth in the market. There was a notable reduction in overall turnaround times including 75% faster processing of personal loans, with personal loans processing now down to under 20 minutes, and 61% faster Auto Lease underwriting, with the process currently down to under 60 minutes.

SSG enhanced machine availability for its cash services, and increased the number of automated processes to result in an overall higher transaction success rate. The reporting cycle saw a minimised number of Service Level Agreement (SLA) breaches in incident reporting following the implementation of advanced and uncompromising SLA best practice, with the resulting SLA performance for Wholesale, Micro and Small Business (MSB) and Treasury maintained at 99% for the year under review. Kiosk service availability improved to 97% in 2022,

The new Additional Self-Construction Mortgage (SCM) product launched in 2022 was testament to Tanfeeth's innovation and focus on performance. Sales of this fully automated product exceeding 18 times its expectation, and were processed within two weeks with Tanfeeth's RPA capabilities.

Improvements through RPA delivered a strong performance in 2022, with Tanfeeth introducing over 30 new automated processes and 35% more bots across the Bank and its subsidiaries, with an average success rate of 97%. In Compliance Operations, the automation of fund transfer and the block/unblock process by Tanfeeth resulted in a 100% reduction of average pending requests to zero.

The Bank's Contact Centre was successfully migrated to Tanfeeth in 2022, with its physical operations migrating from Riyadh to Al Qassim. Gender equality has been high on the agenda for the Bank over the past few years across all levels of its operation, and 2022 was no exception. With the successful implementation of its strategy to recruit a female-driven workforce of over 1,200 employees, the Contact Centre Service Levels exceeded the promise of an 80% response rate, with answer speeds down to less than one minute on average.

Procurement

GRI 3-3

The Shared Services Group initiated Phase I of the Procurement Transformation Programme, with multiple dashboard upgrades, to provide greater visibility and efficiencies across all macro and micro procurement functions and procurement transactions. The Procurement Committee functions were also fully automated in 2022, allowing for greater transparency and recording of procurement projects and their administrative functions.

Vendors continued to undergo a thorough screening process when registering through the Bank's online supplier portal, and, upon approval, were able to participate in tender processes, submit their invoices and track their payment status, along with other efficient functionalities. The Bank registered and issued purchase orders to 141 Saudi national vendors during the reporting period, recording a 21% increase in total vendor registration YoY.

Future outlook

As Al Rajhi Bank's digital transformation and cloud migration continues into 2023, the IT teams plan to introduce embedded artificial intelligence (AI) to the Bank's digital experience, and deliver higher throughput from existing infrastructure by optimising application deployment through DevOps. In line with the Bank of the Future (BOTF) Strategy, the IT team will also look at enhancing the Bank's fraud detection and prevention technology, while strengthening its capacities and capabilities in Open Banking.

The Cash and Clearing Operations department is expected to carry out a number of automations and transforming initiatives to improve turnaround times and eliminate human errors, while also minimising dependency on paper at Cash Centres with the end-goal of only using paper of value such as cash and cheques.

The BCM team will implement its Strategic Transformation Plan for 2025, transitioning from traditional continuity methodology to an organisational resilience model, with the aim to resist, absorb, recover and adapt to business disruptions in an increasingly complex environment.

Phase two of the Procurement Transformation Programme will begin in 2023, aiming to enhance the end-to-end procurement process for the Bank and its subsidiaries, with the aim of achieving globally recognised benchmarks to demonstrate the significance of the Bank's procurement function as an essential value driver and organisational influencer.

digital footprint and technology transformation

GRI 3-3

2022 proved a momentous year for Al Rajhi Bank's digital solution journey with the Bank closing the year ranked number one in digital banking, having made significant strides in the Group's digital transformation drive.

The ranking was based on the Bank's overall Net Promoter Score (NPS), which stood at an impressive 78% against an average competitor score of 61%, underscoring the Bank's resolute commitment to a superior customer experience reinforced by its expanding digital capabilities. These capabilities became deeper entrenched across all facets of the business in 2022, resulting in an unparalleled digital customer journey, earning Al Rajhi Bank wide recognition both locally and internationally as one of the region's premier digitally-enabled banks.

The Kingdom's Open Banking strategy transformed the Bank's digital and tech division into a hotbed of ideation and creative thinking, with new digital initiatives rolled out during the reporting period, paving the way for Al Rajhi Bank to become a pioneering player within the highly competitive open digital ecosystem.

Retail on the fast-track

The Bank adopted an agile methodology to implement its digital solution strategy during the year, delivering value to customers much faster. Al Rajhi Bank poured considerable energy into keeping the momentum up on the continued digitalisation of its products and services during the reporting period, resulting in ground-breaking new ideas and innovative new products in 2022, enhancing customer experience and serving their every individual need.

With data and analytics being the key accelerant of digitalization and transformation efforts, Al Rajhi Bank mobile app continued to leverage the Bank's wealth of digital intelligence to be more insight-driven, offering cutting edge financial solutions and providing data-backed consultations to its growing customer base.

The Bank witnessed a strong growth in digital onboarding YoY in Retail, and a 17% increase in active digital customers, with the Bank pushing close to 11.4 million digital customers at the end of the reporting period. Al Rajhi Bank launched over 190 new retail products and services in 2022, resulting in a 43% YoY growth in retail transactions, and a 42% YoY increase in card issuance. Marketplace transactions grew 24% year-on-year.

A digital-boost for the corporate banking business

On the Corporate Banking front, active digital customers on the Al Rajhi Bank e-Business app recorded a 71% increase from 2021, a clear indication of the 70+ new products and services launched digitally by the Bank were meeting evolving client needs, and strengthening Al Rajhi Bank's growing repute as the Corporate Bank of choice for clients.

The Business Hub – a digital marketplace – was launched by the Bank in March 2022 as part of its e-Business roadmap, introducing customers to new services provided by third parties such as cloud-based accounting and e-commerce services, with more new services in the pipeline as at 31 December 2022.

Unlocking the full potential of digital

Under the "unbank the bank" operating model and Bank of the Future (BOTF) Strategy, Al Rajhi Bank continued to provide customers access to instant banking through a seamless customer journey. The majority of the Bank's offerings were migrated to digital channels in 2022, empowering customers to make informed financial decisions faster than ever before.

In 2021, the Bank rolled out the "One Minute Approach" to enable end-to-end transactions and services within one minute. Balancing innovation, regulation and risk in the shift towards high-speed transactions, the Bank continued to successfully execute this strategy in 2022 and increase customer satisfaction by maximising simplicity and minimising the number of steps involved.

An increase in cross-selling opportunities in 2022 allowed customers to have multiple financing in the same request seamlessly. A number of other services were also introduced during the reporting period to further enhance customer experience.

The branchless banking initiative was a great success in 2022, with many of the projects under it already delivered and available to customers. The initiative will continue to meet the growing demand by customers to avail more branch services digitally.

The digitalization of the Bank's contact centre made notable progress during the reporting period, with many customers switching to the function rich and easily accessible mobile banking channel to access its growing range of services.

Al Rajhi Bank's accelerated its digital solution drive was a resounding success in 2022, as a testimony to which the Bank won a number of prestigious local and international awards during the reporting period:

Future outlook

Al Rajhi Bank will continue its digital solutions digitalisation journey in 2023, taking further steps to enhance and elevate customer experience through more personalised journeys in a comprehensive, all-encompassing digital ecosystem.

The new year will also see Al Rajhi Bank foray into Open Banking, fully equipped with the tech infrastructure and expertise to position itself as a strong competitor, and add value by enabling customers to explore digital ecosystem partnerships.

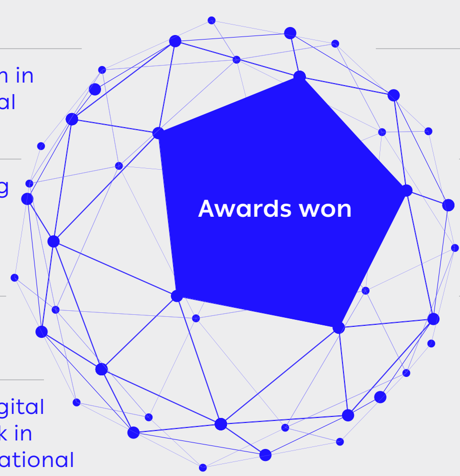
Best Digital Bank in Saudi Arabia awarded by The Digital Banker

Best Mobile Banking Application in Saudi Arabia awarded by Global Business Magazine

Three awards including Leading Digital Bank in Saudi Arabia won at the World Business Outlook Awards

Best Bank in Saudi Arabia awarded by Euromoney

Three awards including Best Digital Payments and Remittance Bank in Saudi Arabia won at the International Business Magazine Awards



The Best Digital Bank at the Global Economics Awards

Best Banking Group in Saudi Arabia at the World Finance Awards

Best Mobile Banking Application in Saudi Arabia awarded by the Global Business Outlook

Best Digital Bank at the Global Banking & Finance Awards

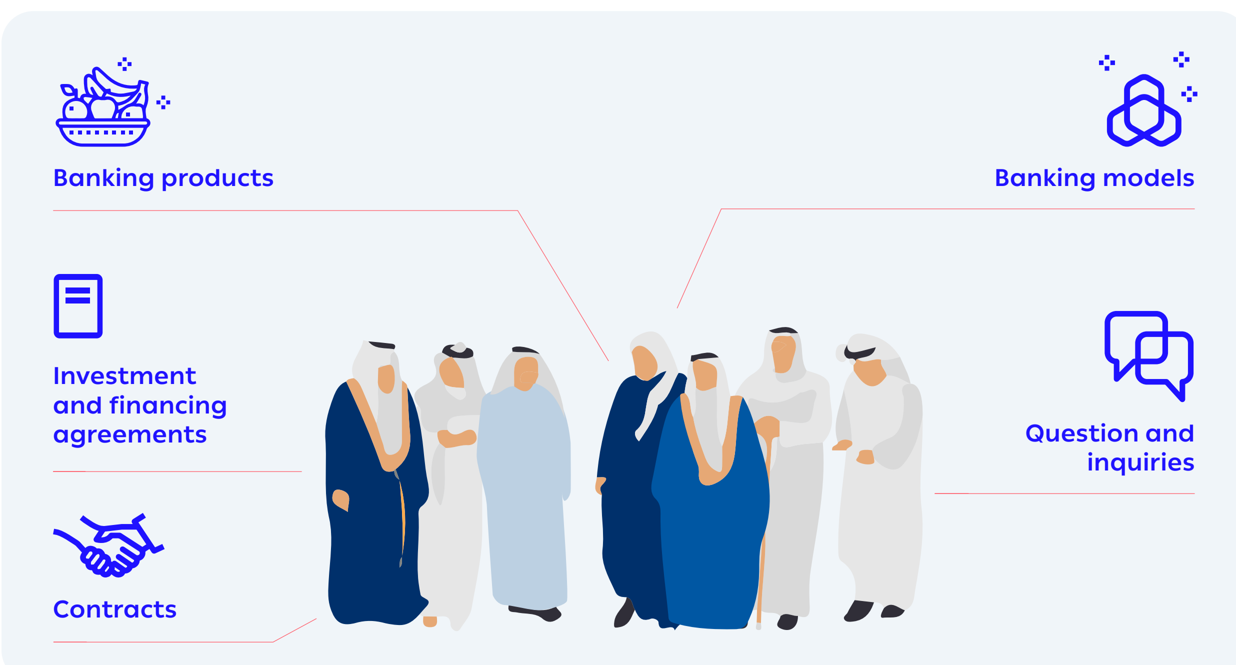
sharia group

Throughout its long-standing history as a landmark national financial institution, and one of the driving forces of economic growth and prosperity in the Kingdom of Saudi Arabia, Al Rajhi Bank has strongly adhered to Islamic Sharia principles and provisions across all its business activities. To maintain this significant commitment, the Bank assigns responsibility for ensuring Sharia compliance of its products and transactions to an independent legal authority, whose membership includes a number of distinguished Islamic scholars. The composition of the Shariah Board and its bylaws are approved by the General Assembly, and its decisions are binding for all departments of the Bank as well as its subsidiaries both in and outside the Kingdom.

The Shariah Board holds its meetings periodically, and during the year 2022, 30 meetings were held, with more than 239 topics discussed, related to the following tasks:

The Shariah Group is the division responsible for coordinating and aligning the objectives of the Bank and the Sharia Board. The Shariah Group consists of two departments:

1. **Sharia Board Secretariat Department**
   Comprising a number of legal advisors who study and analyze all new banking products, agreements and contracts put forward to them by various groups and departments of the Bank, this department prepares all the relevant legal research and studies to present them to the Sharia Board. The Department then informs the relevant teams of the recommendations and decisions of the Sharia Board. In addition, the department participates in the Bank's development of Sharia-compliant products and provides Sharia counselling to other groups and departments in accordance with the decisions of the Sharia Board.



2. **Sharia Audit Department**
   This department consists of an integrated team of specialized observers who conduct Sharia-compliance audits on the Bank's business activities through automated systems, programs, and field visits. Such supervision ensures that there are no unauthorized products, contracts, or models; and that employees understand the Sharia Board's decisions. The team is also responsible for developing and reviewing auditing standards issued by the Sharia Board.

Main activities carried out by Sharia Group in 2022

Seeking to enhance awareness about Islamic Banking among employees, customers and other stakeholders, Sharia Group organized a number of initiatives and events, including:

- Holding 14 courses and workshops on products, services, and various fields of Islamic banking.
- Answering more than 300 postal inquiries and 450 telephone inquiries.
- Sending 12 awareness messages to the Bank's employees about Sharia principles in banking and the Sharia policy of the Bank.
- Training undergraduate students from Sharia colleges.
- Preparing, printing, and distributing a number of specialized publications, including academic theses by experts and specialists in the field of Islamic banking and finance. During 2022, A total of 2 books and 19 publications were printed and distributed among researchers and scholars; and are made available in commercial and public libraries.
- Representing the Bank in the meetings of the Islamic Banking Committee at the Saudi Central Bank.
- Participating in specialized seminars and forums of Islamic jurisprudence.
- Providing instructional support to researchers in the field of Islamic banking.

Future outlook

For the Bank:
The Sharia Group will continue to ensure that the Bank serves its stakeholders in full compliance with Sharia principles.

For Sharia group:
Sharia Group will continue to provide the necessary regulatory and advisory support for the product development process, as well as Sharia studies and research in this regard.

For Islamic Banking:
We expect changes in the market as the Sharia governance framework will be fully implemented by the beginning of 2023.

Indicators and facts:
Challenges will continue to face the Bank. Among such challenges are the knowledge aspects surrounding Islamic banking, either from the staff or client perspectives. This requires exerting more efforts towards raising awareness of Sharia and Islamic banking, through innovating and adopting new methods to keep pace with the developments in this field.

ESG report

118

ESG highlights

	USD 1.2 Bn. Green syndicated loan		Renovation Of children with disability Association clinic	ISO/DIS 37301:2020 Compliance		
	Started using solar energy system in 44 branches to reduce utilities consumption	**SAR 41.6 Mn.** Donation in 2022	**6** Key social projects delivered	ISO 22301:2019 Business Continuity Management		
SAR 762 Bn. Total Assets	Around **SAR 3 Bn.** of financing renewable energy projects	**SAR 2.0 Bn.** Zakat paid	**91** kidney transplants through Shifaa platform	**1,448** Sharia Board Resolutions	**109%** growth in female employees in 2022	
SAR 17.2 Bn. Net Profit after Zakat	ISO Green Certification for the head office building	**SAR 3.4 Bn.** in salaries and benefits paid	**10** batches of Graduate Development Program since 2015	**137** Policies & Frameworks	**28%** of female employees at group level	
0% Financing exposure in Tobacco, Alcohol & Gambling	**92:8** Digital to Manual Ratio	**SAR 25.5 Bn.** in financing for SMEs	**141,000+** total training days	**4 out of 11** Independent Board Directors	**+100%** growth in female customers since 2015	
Financial Sustainability	Environmental	Social		Governance	Gender Diversity	

The Bank's approach to ESG

In its yearly worldwide sustainability roundup, the prestigious Harvard Business Review (HBR) noted that 2022 was a tumultuous year for humanity and business alike. In a year marked by extreme weather, a war crisis in Ukraine, high inflation and debilitating supply chain problems, the HBR report said, the pressures on business to "do more and better" expanded rapidly and no major environmental, social or governance (ESG) issue was off the table. Against this backdrop; Al Rajhi Bank was steadfast in its commitment to providing state-of-the-art Sharia-compliant banking services during the year under review while staying true to its ESG values.

Islamic banking has historically been compatible with 21st century sensibilities surrounding ESG ideals and the broader objectives of sustainable finance. Consequently, in over 50 years of strictly Sharia-compliant operations; ESG has become an integral part of Al Rajhi Bank's DNA, protecting the Bank from investments that are at "high risk" of failing to meet ESG criteria. Through Sharia guidelines, the Bank performs a culturally distinct form of ethical investing, choosing not to participate in any investments that fail to meet the guidelines, including alcohol, gambling and tobacco products.

Complementing its Sharia-based ESG orientation; Al Rajhi Bank has adopted a sustainable model which has helped it grow its reputation as the World's Leading Islamic Bank delivering a well-managed, disciplined financial institution exercising sound governance practices.

The Bank sustained and strengthened its reputation as "A Leader in Financial Conduct and Sustainabilit" during the reporting period; identifying and working on high-impact activities aligned with its overarching Bank of the Future (BOTF) strategy and "unbank the bank" operating model which helped improve third-party ESG ratings. Al Rajhi Bank re-evaluated its sustainability outlook in 2022, with key quantitative and time-bound outcomes for its ESG objectives identified and aligned to overall business KPIs and accountabilities in order to drive the successful delivery of both business and ESG strategies.

For this reason, a new ESG vision was developed in 2022 in line with the overall Corporate outlook: **Realising a sustainable future by pioneering a responsible financial ecosystem for customers, employees, society and the environment.**

This ESG vision is built on a desire to help bring about a more prosperous, socially and environmentally responsible society within the Kingdom. The Bank aims to be a leader in ESG innovation; creating a responsible financial ecosystem with transparency and integrity at its heart, while also demonstrating the Bank's commitment to tackling climate change and minimising its environmental impact. The ultimate goal is to satisfy the needs of all stakeholder groups including customers, employees, society and the environment through four ESG pillars:

Supporting Vision 2023 & KSA Net Zero	Creating A Digital Future	Conducting Responsible Business with Good Governance	Fostering Ties with Communities
Private Sector Contribution to GDP Corporate Loans Market Share	**Financial Inclusion through Digital** New Account Opening Online	**Sharia Compliant** Number of Sharia Resolutions	**Employer of Choice** Employee Engagement
Saudi Home Ownership Mortgage Market Share	**Digital Leader for Customer Insight** Active Digital Customers	**Board Independence** Number of Independent Board Members	**Employee Learning** Total Employee Learning Hours
SME Contribution to GDP SME as % of Corporate Portfolio	**Digital Execution and Offering** End-to-End Digital Personal Financing	**Customer Experience** Net Promoter Score	**Employment Opportunities** Female Employee Ratio
KSA Net Zero by 2060 Green Financing and Funding	**Digital Core Banking Platform** Digital to Manual Ratio	**Corporate Governance** Number of Policy and Procedure reviewed	**Support Local Content** Spending on Local Suppliers
Move to Cashless Society POS Terminal Market Share	**Modernize our Technology** % of Application Modernized	**Regulatory Compliance** Fines % of Total Operating Income	**Denotation and Social Initiatives** Total Spending on Social Activities

The first pillar signifies Al Rajhi Bank's continued commitment as a leader in the financial sector to realise the Kingdom's Vision 2030 objectives by supporting the development and diversification of the Saudi economy. This includes the Bank's increased focus on the private sector and SMEs to improve their contribution to the GDP and its expanding product and service portfolio to increase Saudi Homeownership among other Vision 2030 targets. The Bank's focus on financing both public and private sector investments in green energy projects to achieve the Kingdom's Net Zero objectives; alongside its own investments in renewable energy and resource conservation, is also highlighted as an element of this pillar.

The Bank's continued investments in creating a digital future supported by the best in class technology and infrastructure is emphasised via the Bank's second ESG pillar. In Al Rajhi Bank's drive towards financial inclusion through digital transformation, the Bank has achieved an unrivalled industry standing as a digital leader in customer insight as well as in nurturing future-ready digital talent.

As a Sharia-compliant financial institution, Al Rajhi Bank demonstrates exemplary financial conduct and good governance, which is reflected through the third ESG pillar. The Bank's unrelenting efforts to deliver the best customer experience in the Kingdom coupled with fair treatment and the utmost safety and security falls under this pillar; supported by benchmarked good governance practices. The Bank's wide-ranging social development initiatives fall under the fourth ESG pillar – fostering ties with communities. Al Rajhi Bank continues to earn its social license to operate across the Kingdom by enabling financial access, volunteering and giving back to the community, and empowering underserved segments – with special focus on female empowerment – through employment opportunities and financial independence.

The Bank also launched a Sustainable Finance Framework during the year under review as a basis to issue Green, Social or Sustainable Sukuk, Loans and other sustainable financing Instruments. In September, a Second Party Opinion (SPO) was obtained on the Framework from S&P Global Ratings, which concluded that the Framework aligned with International Capital Market Association (ICMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA) principles.

ESG management and disclosure

As in previous years, Al Rajhi Bank's consolidated ESG Report for the year under review was prepared in accordance with the Saudi Exchange ESG Disclosure Guidelines (www.sseinitiative.org) issued by the Saudi Exchange following its voluntary commitment to promote sustainable and transparent capital markets by becoming a Partner Stock Exchange of the United Nations Sustainable Stock Exchanges (SSE) initiative.

The SSE initiative is a UN Partnership Programme; organised by the United Nations Conference on Trade and Development (UNCTAD), the UN Global Compact, the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN-supported Principles for Responsible Investment (PRI). The SSE's mission is to provide a global platform for exploring how exchanges in collaboration with investors, companies, regulators, policymakers and relevant international organisations can enhance performance on ESG issues and encourage sustainable investment; including the financing of the UN Sustainable Development Goals.

Public ESG Ratings

In order to better focus on the metrics the Bank believes are important and articulate its approach and progress to all stakeholders, the Bank tracks three globally acclaimed external ESG Rating Providers to ensure fair and accurate assessments supported by quantified data of its ESG implementation. The three selected ESG Ratings are Morgan Stanley Capital International (MSCI) and Sustainalytics - two of the most widely followed ratings by investors, funds and indices; and S&P Global; a key active-rating agency to maintain open dialogue with; in order to ensure continuous improvements across key ESG metrics.

External ESG Ratings of Al Rajhi Bank

MSCI		Sustainalytics		S&P Global	
2022	2021	2022	2021	2022	2021
BBB Average	BB Average	26.9 Medium Risk	26.7 Medium Risk	29 Moderate	20 High

MSCI, Sustainalytics and S&P Global will remain the three primary external metrics that the Bank tracks going forward, with a high-level objective for the 2023 financial year to improve all three ratings by promptly identifying stakeholder concerns, rapidly responding to global and local operating environment shifts and evolving the Bank's ESG approach to better serve our stakeholders.

ENVIRONMENTAL

In 2022, Al Rajhi Bank stayed committed to its ambition of diminishing its carbon footprint, undertaking a number of energy-saving programmes and renewable energy opportunities in addition to exploring new environmental initiatives throughout the year.

Climate change

GRI 3-3

During the reporting period, the Bank accelerated its journey towards "net zero" by decreasing both direct and indirect carbon emissions. Tuder Real Estate – the real estate, property and facility management arm of Al Rajhi Bank – enhanced power and energy efficiencies of the Bank by launching the real estate properties energy efficiency programme which saw the installation of solar panels, AC upgrades, window film installation, and introduction of power down equipment and LED lighting. These initiatives contributed to a notable drop in the total annual energy bill.

Tuder also integrated a number of new features to the Bank's Building Management System (BMS) that was introduced in 2021 to promote energy conservation at Al Rajhi Bank Headquarters in Riyadh. These included freshwater utilisation for chillers and chilled water for the tower's cooling systems, medium voltage distribution feeders for energy monitoring and conservation purposes, monitoring and controlling mechanisms for specific lighting distributions, and AC temperature control settings and fresh air distribution in the Head Office Tower and Operations buildings. The Bank also runs a largely paperless operation, supported by a shift from physical to digital across its branch network with the use of tablets and digital channels to conduct daily transactions. Significantly, 95% of all new current accounts during the year were opened digitally, while around 40% of personal financing was done digitally end-to-end.

Al Rajhi Bank continued to integrate and prioritise environmental risk as a key evaluation criterion in its overall approval process to finance a project or business, strongly aligning with the Saudi Green Initiative objectives under Vision 2030. In 2022, the Bank actively engaged with leading environmental consultants to assess projects from environmental and social perspectives in order to ensure that they meet internationally recognised environmental guidelines such as the Equator Principles and the Green Loan Principles.

Al Rajhi Bank is cognisant of the growing concerns around climate change globally and is keen to play a key role as a financier in managing potential environmental risks, in order to capitalise on opportunities related to green financing. During the reporting period, Al Rajhi Bank successfully concluded the largest Sharia-compliant syndication in the Middle East that complies with globally accepted ESG practices, with the total USD 1.165 Bn. in proceeds to be directed towards projects that qualify against the Bank's stringent Sustainable Finance Framework.

Natural resources

Under its "creating a digital future" ESG pillar, and in line with the Bank's overall digital shift, the Bank has embarked on a mission to ensure the use of land and property for all its operations has zero to minimal impact on biodiversity. With this objective in mind, Tuder took measures to ensure that the use of land for new or redesigned bank branches during the reporting period were mindful of the biodiversity of the various locations and actively worked towards minimising environmental impact.

Tuder also commenced installations of two high-tech initiatives to manage the branch and subsidiary network's water consumption; namely, ultrasonic water flow meters to monitor, control and measure water utilisation as part of the BMS, and upgrading the Reverse Osmosis system in the Head Office tower to utilise wastewater for irrigation activities. Both these initiatives will be kick started in the first quarter of 2023.

Pollutants and waste

During the year under review, the Bank continued to adhere to its strict recycling guidelines and its e-waste management commitments. In addition to the standard disposals, the Bank donated electronic devices such as laptops, printers and full PC setups in April 2022, with plans underway to develop policy to activate an annual donation of electronics.

Environmental opportunities

Among the sustainability elements and enhancements; Tuder continued to add to existing buildings, a key highlight was solar panel installations in over 40 bank branches in 2022, demonstrating Al Rajhi Bank's commitment to increase renewable energy generation in KSA.

In 2022, the Bank continued to actively pursue green financing deals, expanding focus more towards renewable energy production assets such as green ammonia and hydrogen projects in the region. The Bank continued to remain an active participant of the Kingdom's proposed SAR 18.8 Bn., 4-gigawatt green ammonia project that is set to make Saudi Arabia a leader in the global "carbon-free" hydrogen market, with the financing expected to close in the first quarter of 2023.

During the year under review, the Bank also closed the financing of the Red Sea Utilities Project, a multi-utility initiative consisting of approximately 340MW of solar power generation, and 110MW of thermal power generation from bio-diesel, at an overall project cost of nearly SAR 4 Bn. The Bank also explored various financing and refinancing opportunities for solar projects in the region during the reporting period.

Large-scale renewable energy projects financed by Al Rajhi Bank

Red Sea Global

Red Sea Utilities

Description

The Project bundles the infrastructure development of utilities components including wastewater treatment, water desalination, district cooling and solid waste treatment, which will rely entirely on renewable energy also generated within the utilities infrastructure, to power the long-term operations of The Red Sea Development Company's tourism/hospitality assets.

Closing Year

2022

Status

Closed

Projected Generation of Renewable Energy

- Photo Voltaic (PV) i.e. Solar based power generation – 340MW
- Biodiesel fuelled power plant – 110MW

Large-scale renewable energy projects financed by Al Rajhi Bank

NEOM نيوم

NEOM Project Helios
(Green Ammonia Project)

Description

Largest, and first-of-its-kind green hydrogen facility in the world.

Closing Year

2023

Status

Ongoing

Projected Generation of Renewable Energy

- 4GW of renewable energy from onshore solar, wind and storage
- 1.2 million tons of green ammonia per year

SOCIAL

From its inception, Al Rajhi Bank has built a reputation for nurturing relationships with all stakeholders, from employees and customers to society at large. The year 2022 saw a continuation of this commitment to cultivate rewarding relationships across the Bank's sphere of influence.

Human capital

Labour management

GRI 3-3

Al Rajhi Bank follows all relevant Saudi labour laws and regulations, and carefully assesses the annual Employee Engagement survey results and feedback received from employees to develop action plans that address areas highlighted for further improvement. In 2022, based on employee feedback, tailored action plans were developed for Performance Management, Learning and Development, and Talent Management, three key HR pillars. These were reviewed and approved by the People Council, which was established in 2020 with an intent to encourage greater engagement and ownership from the C-Level and leadership teams regarding people and talent development practices. Such a targeted engagement approach resulted in an increased Employee Engagement Index score of 74% in 2022, compared to 71% in 2021.

All employees were required to acquaint themselves with the Al Rajhi Bank Code of Conduct in 2022 that, as was the case in previous years, covered a wide range of topics and mandatory considerations including human rights, non-discrimination, fair dealing, anti-bribery, fraud, embezzlement, theft, money laundering, financing terrorism, insider trading, harassment or extortion, unethical behaviour of any colleague(s) such as breach of honesty and integrity and a whistle-blowing policy. With the understanding that employees may not always feel comfortable to raise concerns through conventional, open communication channels, the Bank continues to provide secure and innovative whistleblowing channels for employees to safely and fearlessly "speak up", raise concerns confidentially and, if preferred, anonymously, and bring any discrepancies to the attention of the management and senior leadership.

Health and safety

GRI 403-1 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-5 GRI 403-6

Al Rajhi Bank implements and maintains the highest standards of occupational health and safety (OHS) standards across its Kingdom-wide branch and subsidiary network, including:

- Firefighting systems
- Emergency exit systems
- Continuous awareness of risks
- Periodic testing procedures

Employees are also encouraged to follow a series of OHS modules made available on the Al Rajhi Bank Academy's Taleem online platform on the above, with the ability to choose their own learning plan for more effective learning.

During 2022, the Bank's Human Resource division launched a number of internal health awareness campaigns to raise awareness on all-round health and wellbeing, including key events such as:

- The Annual Open Medical Day and Blood Donation in coordination with Dalah Hospital for all Al Rajhi Bank employees
- A first-aid training session in collaboration with national insurance partner Tawuniya, with participants given certifications upon successful completion of the session.
- The Tawuniya Vitality programme that encouraged all employees to invest 30-90 minutes in an activity for a healthier lifestyle, concluding a three -month programme with a competition to recognise and reward participants.

The Bank is fully compliant with new rules and regulations pertaining to occupational health and safety (OHS) requirements. Several employee health checks and wellbeing awareness programmes were held throughout the year, all of which were well received and appreciated by employees across the Al Rajhi Bank network. The in-house gyms at the Head Office tower and Operations Centre continue to be well-utilised by employees, and the Bank continues to arrange special offers with external vendors associated with wellness and fitness providers to promote employee wellbeing.

Al Rajhi Bank's generous leave policy continued during the year under review with the standard medical, casual and annual leave as well as additional days-off for special occasions; 2022 saw many employees benefiting from Hajj leave as well as marriage leave, birth leave which are complemented by celebratory payments, congratulatory messages and gifts.

Human capital development

GRI 3-3

Acknowledging the growing importance of ESG, the Al Rajhi Bank School of Leadership – the leadership development arm of ARB Academy conducted a number of ESG training sessions during the reporting period. One for executive management and the other for senior management of the Bank and its subsidiaries. This exercise was part of ongoing efforts to enhance organisational capability and understanding with regard to ESG, designed especially for Al Rajhi Bank in alignment with its ESG framework and overarching BOTF strategy.

The sessions were conducted by renowned experts with over two decades of experience and covered the relevance and importance of ESG to the Bank and to the wider financial industry. How the pillars of ESG relate to the Bank and its operating model were also discussed at the training sessions, which were attended by over 120 participants and were well received by both executive and senior management.

For overall training and development, the Bank follows a structured talent management and succession practice with individual development plans, further strengthened by a market and performance driven compensation strategy. Al Rajhi Academy delivers best in class leadership, banking, operational and technology certifications to nurture a talent pool with required skills and knowledge to perform emerging and evolving job roles effectively. (Refer to the HR section on pages 95 to 105 for more details).

The Bank also entered a partnership with online skills development platform Udacity to develop new skills including advanced analytical and IT skills of new employees and graduates trained and qualified from the Bank's Academy and Graduate Development Programme.

Gender equality remains a key agenda for the Bank across all levels of its operation including human capital development, with 51% of training hours being completed by female employees during the year.

Workplace feminisation improved in 2022, with all-female recruitments for over 1,700 roles created at the new Quassim Contact Centre, which served as a major new source of employment in Quassim. For many of the female candidates, this was their first entry to the workforce. During the reporting period, the Bank was also able to accommodate flexible working arrangements for some staff with a work-from-home option.

Supply chain labour standard

The Online Procurement Portal launched in 2020 was further enhanced in 2022 with a number of feature upgrades; one was the Spend Dashboard, which provides accurate and customisable visibility of all Procurement spend including the ability to search and analyse by spend category, by individual or group of suppliers, by timeline, etc.

A key upgrade to the portal was the Procurement Transactions Dashboard that went live by the end of the year, which offers a complete dashboard of all macro and micro levels of the procurement process. This includes turnaround times, tenders, procurement service level agreements (SLAs) and Procurement Committee details, along with additional important functions such as a Suppliers' Dashboard and Contracts' Dashboard.

In yet another upgrade, the portal implemented an enhancement that allowed the Bank to fully automate all functions of the Project Approval Committee, from sending out meeting agendas to members and project managers, to providing informative, at-a-glance views of projects. It also allowed the Committee to circulate projects status to members and finalise the minutes of meetings. This has materially improved the speed and quality of execution of the Bank's major transformation programme.

As part of the Bank's initiatives aimed at supporting local content, local suppliers were encouraged to register on the Procurement Portal, resulting in 95% of the total spending was on locally-owned businesses in 2022 and the total spending was increased by 18%.

Product liability

Privacy and data security

At Al Rajhi Bank, data is considered a valuable asset that plays a vital role in improving performance and productivity. With the intent of maximising its value and ensuring compliance in a way that protects all parties involved, an Al Rajhi Bank Data Governance Policy was introduced in 2022.

The policy ensures that applicable data standards and recommended practices are aligned with the overall objective of increasing compliance with relevant laws, enhancing customer experience and becoming more effective in managing data. The Bank also continued to improve the overall quality of critical data elements within its data ecosystem during the reporting period, to enable improved decision making.

GRI 3-3 GRI 204-1

	2022	2021	2020	2019	2018
Total number of suppliers engaged	**340**	384	335	332	358
Total procurement spending (SAR Bn.)	**4.2**	3.7	3.1	3.1	2.5
Total number of local suppliers engaged	**263**	285	263	261	300
Procurement spending on local suppliers (SAR Bn.)	**4.0**	3.4	2.9	2.9	2.3
Percentage of spending on local suppliers (%)	**95**	92	93	92	93

The new Data Governance Policy sets the standards for data processing through its lifecycle. It also ensures privacy and protection in a way that is aligned with regulatory requirements and with the Bank's own strategy. The policy covers 14 Data Governance Domains.

1. Data governance office
2. Data catalogue and metadata
3. Data quality
4. Data operations
5. Document and content management
6. Data architecture and modelling
7. Reference and master data management
8. Business intelligence and analytics
9. Data sharing and interoperability
10. Data value realisation
11. Open data
12. Freedom of information
13. Data classification
14. Personal data protection

With the fast paced adoption of digitalization, the cybersecurity risk is growing spurred by an expanding threat landscape. The Bank is employing dynamic defenses via a number of countermeasures for prevention, detection, and response in an effort to proactively address current cybersecurity challenges. In order to ensure the efficiency of the Bank's overall cybersecurity posture, the Bank has also implemented a number of security measures using the defense-in-depth and multilayer security principles. By applying the best cybersecurity standards recommended by the national cybersecurity and financial sector regulators, the Bank has reinforced its current cybersecurity governance procedures and ensured the confidentiality, integrity, privacy, and availability of all business and technological processes.

The Bank is continuously improving its cybersecurity culture by implementing a variety of training and awareness initiatives that are directed at both customers and employees. To make sure that all of its business services are trustworthy and secure, the Bank continuously conducts cybersecurity assurance assessments on its systems, apps, and networks. Additionally, the Bank regularly engages recognized vendors in independent internal and external audits to confirm the efficiency of installed cybersecurity controls and compliance with national and international standards including the Payment Card Industry Data Security Standard (PCI DSS), SAMA, SWIFT, SARIE, and the Saudi National Cybersecurity Authority (NCA). The Bank has a Security Operation Center that is operational around-the-clock, 365 days a year, and it continuously monitors and promptly addresses cybersecurity threats and attacks. The Bank has shown resilience against cyberattacks as a result of the implementation of cybersecurity measures, with no cybersecurity-related outage or operational impact.

Social opportunities

Access to Finance

GRI 203-1 GRI 203-2

Given its dominant position in the Retail Business, Al Rajhi Bank has the largest network distribution in the Kingdom and the Middle East region, supported by 516 branches, 174 remittance centres, 4,727 ATMs and 533,442 Point of Sale (POS) terminals to service customers and provide access to financial services. This widespread network of access points has resulted in Al Rajhi Bank claiming one of the largest active customer bases in the region, with over 13.3 Mn. customers in total spread across the Kingdom. The Bank's rapid adoption and scalability of digital infrastructure has also greatly contributed to the introduction of innovative approaches to increasing financial inclusion, especially with underserved demographics. Al Rajhi Bank continues to be the leading bank enabling home ownership in Saudi Arabia with a mortgage market share of 42.9% supporting the Kingdom's Vision 2030 goal to increase home ownership for Saudi Nationals.

Al Rajhi Bank continues to promote financial inclusion with all branches equipped to serve persons with disabilities, and was the first bank in the region to launch ATMs with disability access. In 2022, the Bank continues to upgrade its ATMs with technologies such as voice assistance and sign language to support the blind and visually impaired, the deaf and hard-of-hearing, as well as persons with mobility impairment, aligning with the Saudi Vision 2030 objective of supporting the disabled with tools and facilities to become more independent and be integrated into society. A majority of Al Rajhi Bank branches have reserved disabled parking spaces with all branches ready to serve customers with disabilities.

In 2022, the Bank continued to grow its financing portfolio for Small and Medium Enterprises (SMEs) in the Kingdom, providing a range of financial solutions through its dedicated SME Business Unit, aligned with the Kingdom's Vision 2030 objectives to increase SME contribution to the Saudi GDP. The Bank also serviced micro businesses through its dedicated Micro and Small Business unit (MSB), strongly encouraging entrepreneurial culture in the Kingdom with financial assistance. The rapid digitalisation of core banking platforms and automation of processes has also empowered this fast-growing customer base with efficient services and eased approval processes and has led to rapid turnaround times. Call Centres with dedicated numbers for SME and MSB customers continue to strengthen the Bank's reputation as the Kingdom's leading bank for customer service. The Bank also entered into a number of partnerships and agreements with the Ministry of Finance, the Real Estate and Tourism Development Funds, as well as semi-government and private sector entities to identify new funding sources and opportunities for the SME sector. (Refer MSME page 69).

In 2022, Al Rajhi Bank became the Kingdom's first bank to offer integrated banking services to self-employed individuals. The Bank signed an agreement with the Ministry of Human Resources and Social Development's Future Work Company to provide such integrated services to freelancers. These solutions will enable freelancers licensed by the Ministry to realise their aspirations and contribute to innovative future ways of working.

Al Rajhi Bank also served specific credit needs of consumer segments that were beyond the Bank's risk appetite through its fintech subsidiary Emkan Finance, increasing financial inclusion and simplifying access to microfinancing. (Refer Emkan Finance in page 80).

The Corporate Social Responsibility (CSR) team; together with the Marketing team; launched a number of initiatives in 2022 to expand the Bank's financial services, financial literacy, and access across underserved market demographics. Among these was a social responsibility initiative to provide financial education to students and introduce them to the risks of fraud. Implemented by the Bank's Anti-Fraud Department, a series of lectures titled Financial Awareness and Fraud Risks were conducted in November in coordination with select secondary schools. One session in Riyadh was attended by over 140 students.

The reporting period also saw Al Rajhi Bank sponsor the ninth Youth Forum titled "Our Youth is Our Future" and the Self-Employed Youth Award, with the Emir of Al Qassim recognising Al Rajhi Bank's contribution to the event and its support for SMEs with the presentation of an honorary award.

Access to Healthcare

The health sector continued to be one of the most supported sectors for Al Rajhi Bank's CSR initiatives, as the Bank worked with the Ministry of Health as well as the independent civil Health Endowment Fund to contribute to medical facilities, treatments and general access to good healthcare. In 2022, the Bank fully sponsored the establishment of the Al Rajhi Bank Diabetes Centre, a first-of-its-kind healthcare centre valued SAR 13.5 Mn. in the city of Buraidah; with the capacity to provide over 100,000 medical services annually.

The Bank also participated in a number of key events during the year under review on designated dates; including on World Blood Donor Day, World ADHD Awareness Day, World Autism Awareness Day, World Marrow Donor Day among others; to raise awareness on pressing health-related topics.

2022 saw the culmination of Al Rajhi Bank's efforts in supporting the country's healthcare sector – more recently during and following the pandemic the Bank donated over SAR 50 Mn. across many initiatives – with Al Rajhi Bank being honoured by His Royal Highness Prince Faisal bin Bandar bin Abdulaziz, Governor of Riyadh Region, as well as by the Health Endowment Fund, for the Bank's continued efforts and strong commitment to ensure access to healthcare for all Saudi nationals.

Other focus areas for the Bank's CSR projects include education and capacity development as well as community development. Such notable initiatives carried out in 2022 reflected Al Rajhi Bank's pioneering role in charitable work, and its keenness to actively contribute to social responsibility through many national initiatives and projects supporting the charitable sector, in order to achieve the overarching goals of the Kingdom's Vision 2030. Key initiatives in 2022 included:

- Implementing one of the Kingdom's largest educational and social initiatives – the Al Rajhi Bank Programme for Educational Orphans Care – with close to 100 male and female students studying qualitative specialisations to meet emerging market requirements, and formalising an agreement with the Adeid Association to strengthen the project and fully supervise the implementation and follow-up of the programme.
- Donating SAR 7 Mn. through Ihsan – the national for charitable work, to support its national campaign. As one of the largest donors to Ihsan, Al Rajhi Bank was also honoured by Prince Faisal bin Bandar bin Abdulaziz, Governor of Riyadh, for the generous donation.
- Sponsoring the provision of 20 housing units for needy families within the Golden Jude Scheme at a value of SAR 1 Mn., adding to the Bank's continuous donations of more than SAR 40 Mn. benefitting over 200 needy families across the Kingdom under the "Right and Duty" initiative of the Good Housing Platform.
- Donating an SAR 3 Mn. collection by Al Rajhi Bank customers to the Ensan Charity Committee for Orphans Care, with points donated through the Mokafaa Loyalty Programme, as part of the Bank's initiatives to engage customers in its social programmes
- Organising a special event at the Bank HQ allowing children from the Association for Children with Disabilities and the Association for Orphan Care "Insan" as part of the promotional campaign for FIFA World Cup Qatar 2022™, hosting the World Cup and allowing children a once-in-a-lifetime opportunity to be photographed next to the FIFA World Cup.
- Sponsoring prayer hall renovation for SMK Victoria of Kuala Lumpur by Al Rajhi Bank Malaysia
- Distributing employee zakat wakalah to provide financial assistance to 100 families via the Federal State Islamic Council in Malaysia by Al Rajhi Bank Malaysia
- Distributing meals to underprivileged families as part of Holy Ramadan activities carried out by the Bank as well as its international branches

GOVERNANCE

Corporate governance

The governance framework at Al Rajhi Bank comprises the General Assembly, the Board of Directors, the Shariah Board, as well as five Board committees and a group of executive management committees of the first and second levels.

For more information, please refer the Corporate Governance Chapter on pages 144 to 173.

The Board

Refer to the Board of Directors on page 136.

Financial reporting and tax transparency

GRI 207-1 GRI 207-2

No significant changes were made with regard to regulations, compliance or disclosure of Al Rajhi Bank's financial statements during 2022, with the Bank continuing to publish its interim condensed and expanded Consolidated Financial Statements on quarterly basis and annual basis. Both statements are prepared in compliance with endorsed International Financial Reporting Standards (IFRS) as issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA) and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's by-laws. All such standards, rules and regulations are consistently applied under the supervisory monitoring by the Saudi Central Bank (SAMA) to ensure proper disclosures and a full financial reporting integrity has been met.

Al Rajhi Bank has a dynamic platform of financial and public interest reporting to afford highest efficient and transparent disclosures to the public and investors. This robust reporting platform is designed to ensure and validate financial information and reports through strongly validated financial data processing engines, financial standards compliance, and policies and procedures quality assurance. Al Rajhi Bank also has many internal governance committees and ensures wide ranging involvement of monitoring departments that work towards producing accurate financial information for all of public users.

The Bank's financial reporting function is also regulated by the Capital Market Authority (CMA), which ensures specific levels of transparency and investor information sessions are being conducted. Among these rules and regulations is the appointment of the external auditors, approved solely by the shareholders' general assembly and from the big four international audit firms.

Al Rajhi Bank has revenue recognition policy and procedures that are fully compliant with the international financial standards and uses the effective profit yield in driving the Bank's income and fees. The Bank also renders some services to customers where the relevant fee and income are recognised as soon as those services are rendered.

Al Rajhi Bank makes a varied range of Zakat and tax payments to Zakat, Tax and Customs Authority (ZATCA). The Bank employs internal and external qualified experts to ensure perfect compliance with all Zakat and tax rules and regulations applied in the Kingdom of Saudi Arabia. The Zakat paid for the year 2022, higher by 16% than the previous year's, was one of the highest Zakat payments made by a Saudi corporate.

Equity ownership structure

Al Rajhi Bank follows the Capital Market Authority (CMA) regulations of one vote per share and disclosure of 5% or more ownership.

Employee remuneration, incentives and other benefits

The Bank's compensation philosophy is derived from a commitment to attract, retain, develop, motivate and equitably compensate employees of the highest calibre and talent in recognition of their relative contribution in effectively conducting the business of the Bank and in achieving the Bank's strategic goals and building a sustainable succession pipeline.

As a highly sought-after employer of choice, Al Rajhi Bank continued to provide employees with a compensation package that consists of base salary, allowances and variable pay (incentives/bonuses) that are highly competitive with those provided by comparable organisations for similar levels of duties and responsibilities. The employee's compensation package is built towards rewarding performance with emphasis on the "At Risk" component to align and encourage behaviours that support the Bank's values and risk management framework, adherence to the internal control framework and compliance to regulatory requirements.

The Bank's compensation policies are reviewed annually by the Board Compensation Committee, and recommendations for changes are submitted to the Board for approval. The implementation of the policy is monitored by the Board Compensation Committee with an independent audit and confirmation shared with SAMA on a semi-annual basis.

Al Rajhi Bank's Compensation policy was designed within a risk reward framework. Risk factors are an integral part of the balanced scorecard for senior managers' performance management. Risk measures thresholds have been defined with required triggers for variable and long-term bonuses qualifying assessments. To ensure long-term and other risk factors are fully considered, the proportion of the variable bonus that is deferred increases with levels of seniority.

Corporate behaviour

GRI 2-23

Al Rajhi Bank is committed to the highest standards of ethical, moral and legal conduct and corporate behaviour. The Board of Directors and Senior Management of the Bank are committed to maintaining the highest standards of honesty, integrity and transparency, and promoting a corporate culture that adheres to these core values.

Compliance is already instilled in Al Rajhi Bank's culture and is viewed as an integral part of its business activities. It is the responsibility of all employees, starting at the top, to observe high ethical standards of honesty, integrity and transparency that will strengthen the Bank's relationship with its customers and, consequently, its reputation.

Various regulatory requirements were introduced by a number of regulatory bodies during 2022 such as the Anti-fraud Framework, Related-parties Guideline and the Corporate Governance Manual, further enhancing corporate behaviours across the Bank. Al Rajhi Bank also continued to improve its governance process with the objective of combating misconduct across the Bank and its customer base. A Bank-wide Financial Crime Risk Assessment was conducted during the reporting period to ensure that the specified objectives offer enough clarity; so risks are identified and assessed in line with the objectives. During the reporting period, the Bank identified a number of risks that might hinder the achievement of its objectives across the network and analysed these risks in order to understand how they can be managed.

During the year under review, the Bank considered the potential for fraud, misconduct, bribery, corruption and money laundering while assessing potential risks that may arise in the achievement of related objectives. This helped select and create control activities that contribute towards mitigating risks which might bring about such cases of misconduct.

Major investments were made during 2022 in technology with the objective of enhancing financial crime prevention, detection and response capabilities. Advanced strategies were adopted including advanced financial crime detection strategies, revealing trends and patterns that the data of the Bank and its customers should follow. Artificial Intelligence (AI) and data mining methods were also utilised during 2022 to generate new data from existing databases, helping develop and understand different patterns to predict customer behaviour as well as the future performance of the Bank's different functions. Variations from expected outcomes will be directly identified and mapped on to the actions that employees and other parties have taken.

The Anti-fraud Function was one of the major areas that were revamped in 2022. The Bank engaged one of the leading consulting firms in the world with the objective of developing a best-in-class Anti-Fraud Function by adopting best practices from global or regional markets to minimise incidents of fraud, whilst minimally impacting the customer experience. Prevention and detection capabilities were also enhanced by utilising enriched data, leveraging Cognitive Analytics, AI and Machine Learning. Predictive analytics were applied to behaviours in a bid to understand anticipated future behaviour; which will enable the timely highlighting of any irregularities. While developing the anti-fraud programme, emerging technologies were also considered to pre-empt fraud detection and allow proactive decision-making.

The Bank is committed to verifying, on an ongoing basis, the identity of its customers and ensuring that information and documentation is up-to-date, complete and accurate in order to mitigate financial crime risks. The monitoring of customer profiles is conducted through periodic reviews, event driven reviews, ongoing screening and transaction monitoring. Customer transactions continued to be monitored through a transaction monitoring system that was upgraded and enhanced during 2022; reinforcing it with more sophisticated tools and techniques. Monitoring is based on certain rules or scenarios that trigger alerts that are reviewed by the Anti-money Laundering and Counter-terrorism Financing (AML-CTF) Department staff. This function reduces the risk of money laundering and terrorism financing and the risk to the Bank's reputation, and also avoids regulatory sanctions. By the end of the reporting period, the Compliance Group was in the process of implementing the SAS transaction monitoring system – a modern, flexible and automated AML Monitoring System compatible with Al Rajhi Bank's core banking system.

Al Rajhi Bank, at its core, remains ESG compliant in its overarching strategy of becoming the "Bank of the Future", supporting the diversification of the Saudi economy, assisting home ownership and wealth creation for individuals, financing micro, small and mid to large enterprises to achieve their potential, and navigating the Kingdom towards Vision 2030 as a reliable, stable and well-funded bank that conducts itself at the highest levels of conduct and technological performance.

corporate governance

135

مصرف الراجحي
alrajhi bank

board of directors

Abdullah bin Sulaiman Al Rajhi

GRI 2-11

Committees Membership
- Executive Committee

Current Positions
- Chairman of the Board of many companies inside KSA including:
- Al Rajhi Banking and Investment Corporation (Al Rajhi Bank)
- Al Rajhi Company for Cooperative Insurance (Takaful Al Rajhi)
- Al Rajhi Capital
- Al Rajhi Holding Group Company
- Farabi Petrochemicals Company
- Indoor and Outdoor Flooring Fabrics Solutions Company
- Al Ajial Holding Company

Previous Positions
Held many positions in Al Rajhi Bank from 1979 to 31 March 2012 including:
- Chief Executive Office and Managing Director
- Chief Executive Officer
- General Manager
- Senior Deputy General Manager
- Deputy General Manager of Financial Affairs
- Deputy General Manager of Investment and Foreign Relations

Qualifications
- Bachelor of Business Administration – King Abdulaziz University

Experience
- Contributed to the conversion of Al Rajhi Exchange and Trade Company into a public joint stock company and held many leading positions in ARB for more than 35 years.

Ibrahim bin Mohammed Al Romaih

Committees Membership
- Executive Committee
- Nominations and Remuneration Committee
- Governance Committee

Current Positions
- Deputy Chairman of the Board, Member of Executive Committee, Chairman of Governance Committee and Chairman of Nominations and Remuneration – Al Rajhi Bank
- Board Member – Saudi Arabian Investment Company

Previous Positions
- CEO – Saudi Arabian Investment Company
- Deputy CEO – Capital Market Authority
- Assistant Secretary General – Public Investment Fund
- Board Member – National Commercial Bank
- Board Member – Energy and Water Works Company

Qualifications
- Bachelor of Economics – Portland State University, USA
- Master's Degree in Economics – Central Michigan University, USA
- Chase Manhattan Bank Course, USA

Experience
- Over 30 years of experience in banking, financial and investment fields

Alaa bin Shakib Al Jabri

Committees Membership
- Board Risk Management Committee (BRMC)

Current Positions
- Board Member and Chairman of BRMC – Al Rajhi Bank
- Board Member – Medical and Pharmaceutical Services Company

Previous Positions
- Board Member – SIMAH
- Board Member – Higher Education Fund
- Board Member – Saudi Travelers Cheques Company
- Board Member – Arab International Bank – Tunisia
- Board Member – Construction Products Holding Company
- Board Member – Rolaco Group

Qualifications
- Bachelor of BA – American University in Beirut
- Master of BA – INSEAD, France

Experience
- Having professional experience of more than 30 years in banking and financial fields

Abdulaziz bin Khalid Al Ghufaily

Committees Membership
- Executive Committee
- Nominations and Remuneration Committee

Current Positions
- Board Member, Member of Executive Committee and Member of Nominations and Compensations Committee – Al Rajhi Bank
- Board Member – Al Rajhi Capital Company
- Board Member – National Petrochemical Industry Company (NATPET)

Previous Positions
- General Manager of Financial and Insurance Investments & worked in Hassana Investment Company
- Board Member – Industrialization & Energy Services Company
- Board Member – Riyadh Hotels and Entertainment Company
- Board Member – Saudi Industries Development Company
- Board Member – Tabuk Agriculture Development Company
- Board Member – National Medical Care Company
- Board Member – Herfy Food Services
- Board Member – Saudi Industries Development Company
- Board Member – Savola Foods
- Board Member – Savola Group Company

Qualifications
- Bachelor of Economics – King Saud University
- Master's Degree in Economics – Western Illinois University – USA – 1990

Experience
- Working in the field of financial investment for more than 25 years.

Badr bin Mohammed Al Rajhi

Current Positions
- Board Member – Al Rajhi Bank
- Chairman of the Board – Al Rajhi Steel Industries Co. Ltd.
- Chairman of the Board – Berain Company
- Chairman of the Board – Saudi Tourism Development Company
- Chairman of the Board – DAEM Real Estate Investment Company
- Chairman of the Board – Al Badr Al Zaher Investment Company
- Chairman of the Board – Al Motahdoun Al Uzamaa Company
- Managing Director and Vice Chairman – Mohammed Abdulaziz Al Rajhi & Sons Investment Company (MARS)
- Vice Chairman of the Board – Al Jazirah Home Appliance Co. Ltd.

Previous Positions
- Held several leading positions in areas of management, industry and real estate investment and has served as a member of the board of joint-stock companies.

Qualifications
- High School

Experience
- Having experience of more than 30 years in areas of management, industry and real estate investment and has served as a member of the board of joint-stock companies.

Khalid bin Abdulrahman Al Gwaiz

Committees Membership
- Nominations and Remuneration Committee
- Board Risk Management Committee (BRMC)

Current Positions
- Board Member, Member of Nominations and Remuneration
- Committee and Member of BRMC – Al Rajhi Bank
- Chairman of the Board, Chairman of Executive Committee and Member of Nominations Committee – Riyadh Cables Group Company
- Board Member – EMCOR Facilities Services
- Board Member, Chairman of Audit Committee and Chairman of Nominations – Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO
- Board Member – Tasnee Company
- Board Member – Bawan Company

Previous Positions
- Managing Director – ACWA Holding Company
- Board Member and Chairman of Nominations & Remuneration Committee – Saudi Tabreed Company
- Board Member, Audit Committee Member and Chairman of the Nominations and Remuneration Committee – Swicorp Company
- Board Member – Synergy Consulting Company
- CEO – Bin Ladin International Group
- Board Member – National Medical Products Company
- Board Member – Roayat Watan Investment Company
- Board Member – Roaa Development Holding Company

Qualifications
- Bachelor of Urban Planning – University of Washington – USA

Experience
- Having more than 30 years of experience in banking, financial and industrial fields.

Ibrahim bin Fahad Al Ghofaily

Committees Membership
- Governance Committee

Current Positions
- Board Member and Member of Governance Committee – Al Rajhi Bank
- Board Member – Jiwar Real Estate Management, Marketing and Development Company
- Head of Arriyada Financial Consulting Center

Previous Positions
- Board Member – Alinma Bank
- Financial Consultant of King Abdulaziz Endowment for the Two Holy Grand Mosques (Abraj Al Bait Complex) in Makkah
- Deputy General Manager of Banking and Development – Al Rajhi Bank
- Vice Dean of Faculty of Economics and Management, King Abdulaziz University

Qualifications
- Bachelor of Public Administration – King Abdulaziz University
- Master of Public Administration – California State University - 1978
- PhD in Organisational Development – Florida State University – 1981

Experience
- Having practiced academic work for 10 years and with 10 years of experience in the Islamic Banking Sector
- Since 2002, he established Arriyada Financial Consulting Center and performed several studies and consultancies in Islamic Financing Structuring for Projects (the most prominent being Abraj Al Bait in Makkah).

Hamza bin Othman Khushaim

Committees Membership
- Executive Committee
- Board Risk Management Committee (BRMC)

Current Positions
- Board Member, Member of Executive Committee and Member of BRMC – Al Rajhi Bank
- Director of Startegy – Hassana Investment Company
- Member of the Advisory Board of the Center for Business and Government of the Kennedy School – Harvard University
- Member of the Saudi Investor Association
- Certified Member of the Association of Financial Analysts – USA

Previous Positions
- Hedge Fund Portfolio Manager – KAUST Endowment
- Hedge Fund Portfolio Manager – Investment Management – Treasury – Saudi Aramco Co.
- Financial Analyst – Investment Management – Treasury – Saudi Aramco Co.
- Board Member and Member of Nominations and Remuneration Committee – Dallah Healthcare Holding Company

Qualifications
- Bachelor of Finance – Michigan State University
- Master's Degree in Business Administration – University of Michigan in Ann Arbor
- Chartered Financial Analyst (CFA)

Experience
- Having 16 years of experience in investment.

Raeed bin Abdullah Al Tamimi

Committees Membership
- Governance Committee
- Nominations and Remuneration Committee
- BACC

Current Positions
- Board Member, Member of Governance Committee, Member of Nominations & Remuneration Committee, Member of BACC – Al Rajhi Bank
- Board Member, Member of Audit Committee and Member of Risk Committee – GASCO

Previous Positions
- CEO – Tawuniya Insurance Company
- CEO – National Medical Care Company
- Board Member – Tawuniya Insurance Company
- Board Member – National Medical Care Company
- Board Member – Waseel Electronic Information Transfer
- Board Member – Najm Insurance Services Company
- Board Member, Member of Nominations and Remuneration Committee – SAPTCO

Qualifications
- Bachelor of Medical Science – University of Wales, UK

Experience
- Having over 20 years of management experience and he currently serves as board member and committee member in many listed companies.

Abdulatif bin Ali Al Seif

Committees Membership
- Executive Committee
- BACC

Current Positions
- Board Member, Member of Executive Committee and BACC - Al Rajhi Bank
- Board Member – Arabian Cement Company
- Board Member – Wisayah Global Investment Company
- Board Member – Al Nahdi Medical Company
- Board Member – STC Solutions
- Board Member – Sabeen Investment Company
- Board Member – Albilad Tourism Fund
- Board Member – The Saudi Agricultural and Livestock Investment Company (SALIC)

Previous Positions
- Deputy Head and Head of Investment – King Abdullah Humanitarian Foundation
- Director of Portfolio Management – Masik
- Head of Portfolio Management, Investment Management Division – Saudi Aramco Co.
- Board Member – HSBC Saudi Arabia
- Executive Director – Vision Combined Limited Company
- Board Member & CEO – Arraedah Investment Company
- Board Member – National Petrochemical Company (Petrochem)
- Board Member – Abdullah Al Othaim Investment Company
- Board Member – Riva Investment Company

Qualifications
- Bachelor & Master's Degree of Business Administration – Boston University
- Master's Degree of Economics – Boston University
- CPA & CFA

Experience
- Having 20 years of experience in financial and investment fields, and is a member of several Boards and Committees in many companies.

Waleed Abdullah Almogbel

Current Positions
- Managing Director and Chief Executive Officer – Al Rajhi Bank
- Board Member – Al Rajhi Company for Cooperative Insurance (Takaful Al Rajhi)
- Chairman of the Board – Emkan Finance Company
- Chairman of the Board – International Digital Solutions Co. (Neoleap)
- Chairman of the Board – Tanfeeth
- Chairman of the Board – EJADA Systems Company Limited

Previous Positions
- Deputy Chief Executive Officer – Al Rajhi Bank
- Chief Operating Officer – Al Rajhi Bank
- Chief Financial Officer – Al Rajhi Bank

Qualifications
- PhD in Auditing – Cardiff University - 2006
- Master in Finance – University of Southampton – 2003
- Bachelor's degree in Accounting – King Saud University – 1999

Experience
- More than 24 years of experience in financial, banking, auditing, tax, and administrative financial consulting

executive management

Waleed Abdullah Al-Mogbel

Current position
Managing Director and Chief Executive Officer

Previous positions
Deputy Chief Executive Officer – Al Rajhi Bank

Qualifications
PhD in Accounting and Auditing

Experience
25 Years

Abdulrahman Abdullah Al-Fadda

Current position
Chief Financial Officer

Previous positions
General Manager of Treasury and Financial Institutions – Al Rajhi

Qualifications
Bachelor's Degree - Electrical Engineering

Experience
26 Years

Majed Saleh Al-Rajhi

Current position
General Manager Retail Banking

Previous positions
AGM Private and Affluent Banking – Al Rajhi Bank

Qualifications
MBA London Business School

Experience
18 Years

Hossam Essam Al-Basrawi

Current position
General Manager Corporate Banking Group

Previous positions
Head of the Corporate Banking Group – Banque Saudi Fransi

Qualifications
Bachelor's Degree in Law

Experience
26 Years

Abdulrahman Mohammad Al-Ajaji

Current position
General Manager Treasury Group

Previous positions
Head of Global Market Sales – SABB

Qualifications
Bachelor of Science – Computer Science

Experience
19 Years

Abdullah Saleh Al-Omari

Current position
Chief Operating Officer

Previous positions
Chief Information Officer – Al Rajhi Bank

Qualifications
Bachelor's Degree – Electrical Engineering

Experience
21 Years

Ahmed Saleh Al-Sudais

Current position
Chief Human Resources Officer

Previous positions
VP Human Capital – ACWA Power International, KSA

Qualifications
Bachelor's degree in Accounting

Experience
31 Years

Abdulaziz Saad Al-Resais

Current position
Chief Risk Officer

Previous positions
AGM Enterprise Risk Management – Al Rajhi Bank

Qualifications
Master's degree of Business Administration

Experience
20 Years

executive management

Saleh Abdullah Al-Heidan

Current position
General Manager of the Sharia Group

Previous positions
Associate Professor in the High Institute of Judiciary – Al Imam Mohammed bin Saud Islamic University

Qualifications
PhD in Comparative Fiqh (Islamic Law) Experience

Experience
36 Years

Abdullah Ali Al-Furaiji

Current position
Chief Digital Officer

Previous positions
AGM Digital Business – Al Rajhi Bank

Qualifications
Bachelor's Degree in Organisation and Management Development, Financial Accounting

Experience
22 Years

Turki Mohammed Al-Dhfayan

Current position
Chief Marketing and Customer Experience Officer

Previous positions
Head of Digital Experience – Al Rajhi Bank

Qualifications
High Diploma – College of Telecom and Information

Experience
15 Years

Mishal Mustafa Al-Fadl

Current position
Chief Private Banking Officer

Previous positions
Chief Private Banking – Western Region – National Commercial Bank

Qualifications
Bachelor of Business Management

Experience
26 Years

Dhary Mohali Al-Shamry

Current position
Chief Internal Auditor

Previous positions
General Director of Internal Audit – Capital Market Authority

Qualifications
Master's degree of Business Administration – Finance

Experience
21 Years

Naif Hathal Al-Dahmashi

Current position
Acting Chief Compliance Officer

Previous positions
AGM Regulatory Compliance – Al Rajhi Bank

Qualifications
Bachelor of Business Management

Experience
22 Years

Ibraheem Hamad Al-Zeer

Current position
Acting Chief Governance and Legal Officer

Previous positions
Senior Director Legal Consultancy – Al Rajhi Bank

Qualifications
Master's Degree in Law

Experience
13 Years

chief executive officers of subsidiaries

Waleed AlRashed Al-Humaid

Current position
Chief Executive Officer – Al Rajhi Capital

Previous positions
General Manager of Asset Management – HSBC Saudi Arabia

Qualifications
Master Degree – Financial Economics

Experience
17 Years

Saud Ghonem Bin Ghonem

Current position
Chief Executive Officer – EMKAN Finance Company

Previous positions
Chief Retail Risk Officer – Al Rajhi Bank

Qualifications
Master's Degree of Business Administration – Finance

Experience
23 Years

Ziyad Al-Eisa

Current position
Chief Executive Officer – Neoleap

Previous positions
Chief Executive Officer – Bayan Credit Bureau

Qualifications
Master's Degree of Business Administration

Experience
15 Years

Arsalaan Ahmed

Current position
Chief Executive Officer, Al Rajhi Corporation Limited Malaysia

Previous positions
Chief Executive Officer, HSBC Amanah Malaysia Berhad

Qualifications
Master's Degree of Business Administration - London Business School

Experience
20 Years

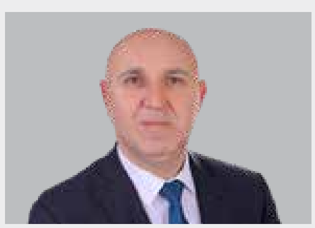
Jassim Ismaeil Al-Awadhi

Current position
Chief Executive Officer – Al Rajhi Bank Kuwait

Previous positions
Head of Business – Al Rajhi Bank Kuwait

Qualifications
Master's Degree of Business Administration

Experience
22 Years



Eyad Mohammad Jarrar

Current position
Chief Executive Officer – Al Rajhi Bank Jordan

Previous positions
CEO – AL TAS-HEELAT

Qualifications
Bachelors Of Economics

Experience
29 Years

Fawaz Abou Nasr

Current position
Chief Executive Officer – Ejada System Limited Co.

Previous positions
Deputy CEO Sales and Strategy – Ejada System Limited Co.

Qualifications
Bachelor of Science – Computer Science

Experience
32 Years

Mohammad Hassoobh

Current position
Chief Executive Officer – Tanfeeth Company

Previous positions
AGM Process Excellence – Al Rajhi Bank

Qualifications
Master's Degree of Business Administration – Finance

Experience
19 Years

chief executive officers of subsidiaries

Hafed Ibrahim Altuwaijry

Current position
Chief Executive Officer – Tuder Real Estate Company

Previous positions
Chief Executive Officer – Josoor Real Estate Development Company

Qualifications
Bachelor in Civil Engineering

Experience
22 Years

Abdulaziz Ali Al-Jdeed

Current position
Chief Executive Officer – Tawtheeq Company

Previous positions
Executive Manager Retail Credit Review and Quality Assurance – Al Rajhi Bank

Qualifications
Bachelor in Business Banking

Experience
10 Years

GRI 2-9 GRI 2-15 GRI 3-3

The governance framework at Al Rajhi Bank comprises the General Assembly, the Board of Directors, the Shariah Board, as well as five Board committees and a group of executive management committees of the first and second levels. This governance structure relies on a set of key pillars that ensure clarity and sound governance. These pillars are the Bank's values, design of the organisational structure, policies and procedures, the delegation of authority matrix, and effective communication between various internal and external stakeholders.

Policies related to the Corporate Governance Manual

The Bank applies the Principles of Governance for Banks Operating in Saudi Arabia issued by the Saudi Central Bank as well as the Corporate Governance Regulations issued by the Capital Market Authority. The Bank has developed its Corporate Manual and the charters governing the Board Committees and management committees. These documents are subject to periodic review by the Board and its committees.

The Bank adopts a comprehensive set of policies and procedures that strengthen the Bank's governance framework in line with the Board of Directors approved Delegation of Authorities (DOA) matrix to adequately reflect internal practices. At the forefront of these policies is the Related Party Transactions and Conflict of Interest Policy to better achieve transparency and integrity, while remaining compliant with the regulatory requirements under the Companies Law, the CMA Governance Regulations, and the principles and guidelines issued by SAMA.

The Bank also relies on written disclosure policies and regulations that enable shareholders and stakeholders to have access to all material information and developments without discrimination and in a timely manner. This includes information required to be disclosed according to the instructions of Saudi Central Bank and under the regulations of Capital Market Authority (CMA).

The Bank pays adequate attention to the training and qualification of members of the Board of Directors and the executive management. The Bank has prepared an introductory guide to assist the new Board members and provide them with necessary information on the Bank's strategy, financial and operational aspects, and their obligations and duties.

The Bank also applies procedures for settling customers and shareholders complaints. These procedures are monitored by Saudi Central Bank and Capital Market Authority. The Bank has also implemented a social responsibility policy aiming at enhancing the Bank's social role.

CMA Corporate Governance Regulations

The Bank has given due cognisance to the Corporate Governance Regulations currently in effect, as issued by the Capital Market Authority in the Kingdom of Saudi Arabia. The following is a report on the Bank's corporate governance practices and the extent of its compliance with Capital Market Authority's regulations.

Implemented and not implemented provisions of the Corporate Governance Regulations and reasons for non-implementation

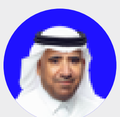
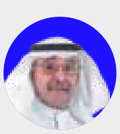
The Bank applies all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority on 13 February 2017 and amended on 22 August 2022, except for the following articles:

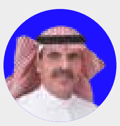
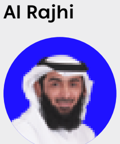
Article/Clause No.	Article/Clause	Reasons for not applying
Article 41 Clause "E"	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. (Guiding paragraph)	The evaluation is done internally on an annual basis.
Article 54 Clause "B"	The Chairman of the Audit Committee shall be an independent member. (Guiding paragraph)	The Chairman of Audit and Compliance Committee at the Bank is a non-executive Board Member who is selected due to his qualifications suitable for the position.
Article (87)	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the society for purposes of developing the social and economic conditions of the society. (Guiding article)	ARB has a social responsibility Policy approved by the Board of Directors.

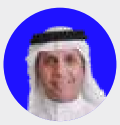
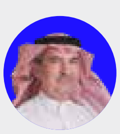
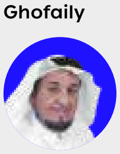
Board Structure

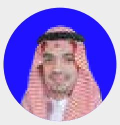
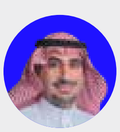
The Bank is managed by a Board of Directors consisting of eleven members, elected by the ordinary general assembly every three years. Members whose term has expired may be re-elected each time according to the Bank's regulations.

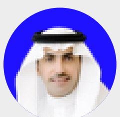
Names of the companies inside and outside the Kingdom in which a Board Member is a manager or a member of their current or previous Board

Member name	Names of companies where the Board Member is a member of the current Boards or one of their directors	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their directors	Inside/ outside the Kingdom	Legal entity
Abdullah bin Sulaiman Al Rajhi 	• Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful) • Al Rajhi Capital • Al Rajhi Holding Group • Farabi Petrochemicals Company • Indoor and Outdoor Floor Fabrics Solutions Holding Company • Al Ajial Holding Company • Erth Al-Awtan Real Estate Development Company • Nagiz Investment Holding Company • Mirath Holding Company	Inside the Kingdom	• Listed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Limited liability company • Limited liability company • Limited liability company	• Al Rajhi Bank (CEO) • Saudi Carpet Supplies Manufacturing Company • Jubail Saudi Company for Flooring Fabric Solutions • Green Vision for Artificial Grass Company • Al Farabi Investment Company • Farabi Yanbu Petrochemicals Company • Farabi Transformation Industries Company	Inside the Kingdom	• Listed joint-stock company • Limited liability company • Limited liability company • Limited liability company • Limited liability company • Limited liability company • Limited liability company
Ibrahim Bin Mohammed Al Rumaih 	• The Saudi Arabian Investment Company	Inside the Kingdom	• Unlisted company	• The Saudi Arabian Investment Company (CEO) • National Commercial Bank • ACWA Power	Inside the Kingdom	• Unlisted company • Listed joint-stock company • Unlisted company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their directors	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their directors	Inside/ outside the Kingdom	Legal entity
Abdulaziz bin Khalid Al Ghufaily 	• Al Rajhi Capital • The National Petrochemical Industrial Company (NATPET)	Inside the Kingdom	• Unlisted company • Unlisted company	• Industrialisation & Energy Services Company • Riyadh Hotels and Entertainment Company • Saudi Industries Development Company • Tabuk Agriculture Development Company • National Medical Care Company • Herfy Food Company • Panda Retail Company • Savola Group • Savola Foods Company	Inside the Kingdom	• Unlisted company • Unlisted company • Unlisted company • Listed joint-stock company • Listed joint-stock company • Unlisted company • Unlisted company • Listed joint-stock company • Unlisted company
Badr bin Mohammed Al Rajhi 	• Mohammed Abdulaziz Al-Rajhi and Sons Investment Company • Al-Rajhi Steel Industries Company • Berain Company • The Saudi Company for Tourism Development • Al-Jazira Home Appliances Company • Al Motahedhoun Al Uzamaa Company • Al Bader Zaher Investment	Inside the Kingdom	• Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Limited liability company	• Falcon Plastic Products Company	Inside the Kingdom	• Closed joint-stock company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their directors	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their directors	Inside/ outside the Kingdom	Legal entity
Khalid bin Abdulrahman Al Gwaiz 	• Riyadh Cables Group Company • Emcor Facilities Management Co • Unique Solutions for Chemical Industries (USIC) • Bawan Company • Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)	Inside the Kingdom	• Listed joint-stock company • Limited liability company • Limited liability company • Listed joint-stock company • Listed joint-stock company	• ACWA Holding Group • Astra Industrial Group • Samba Financial Group • Arab National Bank • Swicorp Company • Synergy Management Consulting Co. • Bin Ladin International Holding Group (Executive Director) • The National Medical Products Co. • Ro'yat Watan Investment Company • Roaa Development Holding Company	Inside the Kingdom	• Unlisted company • Listed joint-stock company • Listed joint-stock company • Listed joint-stock company • Unlisted company • Limited liability company • Unlisted company • Limited liability company • Limited liability company • Limited liability company
Alaa bin Shakib Al Jabri 	• Medical and Pharmaceutical Services Company	Inside the Kingdom	• Limited liability company	• Saudi British Bank • Gulf International Bank • Construction Products Holding Company • Rolaco Group	• Inside the Kingdom • Inside and outside the Kingdom • Inside the Kingdom • Inside the Kingdom	• Listed joint-stock company • Unlisted company • Unlisted company • Unlisted company
Ibrahim bin Fahad Al Ghofaily 	• Jiwar Real Estate Management, Marketing and Development Company	Inside the Kingdom	• Unlisted company	• Al Inma Bank • Al Rajhi Bank	Inside the Kingdom	• Listed joint-stock company • Listed joint-stock company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their directors	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their directors	Inside/ outside the Kingdom	Legal entity
Hamza bin Othman Khoshaim 	• Hassana Investment Company	Inside the Kingdom	• Unlisted company	• Dallah Healthcare Holding Company	Inside the Kingdom	• Listed joint-stock company
Raeed bin Abdullah Al-Tamimi 	• National Gas and Industrialization Company	Inside the Kingdom	• Listed joint-stock company	• Cooperative Insurance Company • National Medical Care Company • Waseel Electronic Information Transfering Co • Cooperative Real Estate Investment Company • Najm Company for Insurance Services • Saudi Arabia Public Transport Company	Inside the Kingdom	• Listed joint-stock company • Listed joint-stock company • Unlisted company • Unlisted company • Unlisted company • Listed joint-stock company
Abdulatif bin Ali Al Seif 	• Arabian Cement Company • Wisayah Global Investment Company • Nahdi Medical Company • STC Solutions • Sabeen Investment • The Saudi Agricultural and Livestock Investment Company (SALIC)	Inside the Kingdom	• Listed joint-stock company • Limited liability company • Closed joint-stock company • Listed joint-stock company • Closed joint-stock company • Closed joint-stock company	• HSBC Saudi Arabia • Shared Vision Company Ltd • Pioneer Investments Company • Abdullah Al Othaim Investment Co. • Riva Investment Company • National Petrochemical Company (PETROCHEM)	Inside the Kingdom	• Unlisted company • Limited liability company • Unlisted company • Closed joint-stock company • Limited liability company • Listed joint-stock company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their directors	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their directors	Inside/ outside the Kingdom	Legal entity
Waleed bin Abdullah Al Mogbel 	• Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful) • Emkan Finance Company • International Digital Solutions Company (NeoLeap) • Human Resources Management & Development Company (Tanfeeth) • Ejada Systems Company Ltd.	Inside the Kingdom	• Listed joint-stock company • Closed joint-stock company • Closed joint-stock company • Limited liability company • Limited liability company			

Composition of the Board and classification of its members, as: executive members, non-executive members, or independent members

Member name	Membership classification (executive/non-executive/ independent)
Abdullah bin Sulaiman Al Rajhi	Non-executive
Ibrahim bin Mohammed Al Rumaih	Independent
Abdulaziz bin Khalid Al Ghufaily	Non-executive
Badr bin Mohammed Al Rajhi	Non-executive
Khalid bin Abdulrahman Al Gwaiz	Non-executive
Alaa bin Shakib Al Jabri	Independent
Ibrahim bin Fahad Al Ghofaily	Independent
Hamza bin Othman Khoshaim	Non-executive
Raeed bin Abdullah Al-Tamimi	Independent
Abdulatif bin Ali Al Seif	Non-executive
Waleed bin Abdullah Al Mogbel	Executive

Committees of the Board of Directors

The functions and responsibilities of the Committees are identified based on internal bylaws and regulatory requirements. The membership term is set at three years, ending with the expiration of the term of the Board. The Board of Directors has the power to appoint, reappoint, or terminate the membership of any member of the Committees. The Committees submit their recommendations and minutes of their meetings to the Board of Directors.

The following is a brief description of the Bank's Committees and their work.

A - Executive Committee:

The main purpose of the Executive Committee (ExCom) is to assume responsibility for the business operations of Al-Rajhi Bank and to make quick decisions regarding urgent issues and matters related to the Bank's business. The Executive Committee is responsible for reviewing, following up, and approving the basic financial, non-financial, commercial, investment, and operational decisions related to the Bank within the limits of the powers determined by the Bank's Board of Directors.

The Committee held six meetings during the year 2022 as follows:

		Member name				
Meeting No.	Date	Abdullah bin Sulaiman Al Rajhi Chairman	Ibrahim bin Mohammed Al Rumaih Member	Abdulaziz bin Khalid Al Ghufaily Member	Hamza bin Othman Khoshaim Member	Abdulatif bin Ali Al Seif Member
1.	17 February 2022	✓	✓	✓	✓	✓
2.	24 February 2022	✓	✓	✓	✓	✓
3.	29 June 2022	✓	✓	✓	✓	✓
4.	15 September 2022	✓	✓	✓	✓	✓
5.	27 October 2022	✓	✓	✓	✓	✓
6.	8 December 2022	✓	✓	✓	✓	✓

B - Nominations and Compensations Committee

GRI 2-10

The main purpose of the Nominations and Compensations Committee is to submit recommendations on the nomination of Board Members, committee members, senior executives, and candidates for positions, subject to non-objection of the Saudi Central Bank, to the Board of Directors. The Committee prepares a description of the capabilities and qualifications required for Board of Director's membership, evaluates the effectiveness and efficiency of the Board and senior management performance, and ensures that the Bank remains compliant with the internal incentive policies, the rules of incentive practices issued by the Saudi Central Bank, and the principles and criteria for compensation, in a manner that best achieves the interests of depositors, shareholders and the Bank's strategic objectives. The Committee held four meetings during the year 2022 as follows:

		Member Name			
Meeting No.	Date	Ibrahim Bin Mohammed Al Rumaih Chairman	Khalid bin Abdulrahman Al Gwaiz Member	Raeed bin Abdullah Al-Tamimi Member	Abdulaziz bin Khalid Al Ghufaily Member
1.	13 January 2022	✓	✓	✓	✓
2.	2 June 2022	✓	✓	✓	✓
3.	27 October 2022	✓	✓	✓	✓
4.	1 December 2022	✓	✓	✓	✓

C - Governance Committee:

The main purpose of the Governance Committee is to support and maintain the highest standards in corporate governance, on behalf of the Board of Directors, by ensuring that sound governance practices are followed in all activities carried out by the Bank through conducting an annual review of the general governance framework and related mechanisms. In addition, the Committee monitors cases of conflict of interest, ensures the continuous updating of the register of Related Parties, reviews requests for exemption from the governance requirements applicable at the Bank, and coordinates with the Bank's subsidiaries to support good and consistent corporate governance standards for all activities of the Al Rajhi Bank Group. The Committee also focuses on increasing awareness of the importance of governance and its activities within the Bank among all employees, shareholders, and external stakeholders, and conducts an annual evaluation of the performance of the Board of Directors, members of the Board, all Board Committees and Management Committees. It is also responsible for reviewing and updating the policies related to the Board of Directors and its members, the Bank's governance, and the conflict of interests, in addition to following up on the implementation of the Governance Manual, its annexes, and the Bank's delegation of authority matrix. The Committee held four meetings during the year 2022 as follows:

Meeting No.	Date	Member Name: Ibrahim Bin Mohammed Al Rumaih – Chairman	Ibrahim Bin Fahad Al Ghofaily – Member	Raeed bin Abdullah Al-Tamimi – Member
1.	14 June 2022	✓	✓	✓
2.	18 September 2022	✓	✓	✓
3.	30 October 2022	✓	✓	✓
4.	13 December 2022	✓	✓	✓

D - Audit and Compliance Committee:

The main purpose of the Audit and Compliance Committee is to supervise the financial reporting process, oversee the internal and external auditors, submit recommendations to the Board of Directors and shareholders to approve, appoint and determine the remunerations and dismissal of the external auditors. The Committee also reviews and approves the scope of the audit operations and their implementation, receives key audit reports, assesses and follows up the Bank's policy in combating financial fraud, and reviews the objectives and observations of the Shariah audit. Moreover, the Committee ensures that the senior management takes all necessary corrective measures in a timely manner to address any weaknesses in controls or non-compliance with policies, laws, and regulations, or any other issues identified by the auditors. The Audit and Compliance Committee held nine meetings during the year 2022 as follows:

Meeting No.	Date	Member name: Abdullatif bin Ali Al Seif – Chairman	Raeed bin Abdullah Al-Tamimi – Member	Abdullah bin Ali Al Muneef – Member	Farraj bin Mansour Abuthnain – Member	Walid bin Abdullah Tamairik – Member
1.	2 January 2022	✓	✓	✓	✓	✓
2.	30 January 2022	✓	✓	✓	✓	✓
3.	16 February 2022	✓	✓	✓	✓	✓
4.	6 March 2022	✓	✓	✓	✓	✓
5.	21 April 2022	✓	✓	✓	✓	✓
6.	28 July 2022	✓	✓	✓	✓	✓
7.	26 September 2022	✓	✓	✓	✓	✓
8.	20 Octomber 2022	✓	✓	✓	✓	✓
9.	29 December 2022	✓	✓	✓	✓	✓

Audit and Compliance Committee members (Non-Board members)

No.	Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
1	Abdullah bin Ali Al Muneef	Audit and Compliance Committee	• Member of Audit and Compliance Committee – Al Rajhi Bank	• Chief Executive Officer – Al Muneef Financial and Management Consultancy Office • Advisor – National Guard • Director General of Finance and Administration Affairs – National Guard • Head of Accounting Department - King Saud University • Associate Professor of Accounting Department - King Saud University • Executive Director of Financial and Administrative Affairs – King Faisal Specialist Hospital • Head of Accounting Association, King Saud University • Assistant Professor of Accounting Department, King Saud University • Lecturer at Accounting Department, King Saud University • Member of Shura Council • Member of the Arab Parliament	Bachelor of Accounting – King Saud University Master Degree in Accounting – University of Southern California, USA PhD in Accounting – University of South Carolina, USA	Held many academic, leading, and advisory positions in financial and management fields

No.	Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
2	Farraj bin Mansour Abuthnain	Audit and Compliance Committee	• Member of Audit and Compliance Committee – Al Rajhi Bank • Board Member – Astra Industrial Group • Board Member – Al Moammar Information Systems Co. • Board Member – Saudi Industrial Investment Group	• Director of Loan Department – Industrial Development Fund • Member of the Project Loan Committee – Industrial Development Fund • Member of the Industrial Projects Performance Audit Committee – Industrial Development Fund • Senior Vice President of Finance and Investment – National Industrialisation Company (Tasnee) • Member of the Council of Riyadh Region • Board Member of Petrochem • Member of Audit Committee – Almarai Company • Board Member – Aljazira Capital	Bachelor of Industrial Management – Milwaukee School of Engineering, USA	Held many leading positions in the Saudi Industrial Development Fund and the National Industrialization Company (Tasnee)

No.	Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
3	Walid bin Abdullah Tamairik	Audit and Compliance Committee	• Member of Audit and Compliance Committee – Al Rajhi Bank • Member of Audit Committee – Raysan Al Arabia Real Estate Developer • TEMAIRIK CPA • Chairman of Audit Committee – Taajeer Finance Company	• Arthur Andersen & Co. • Ernst & Young • Member of Advisory Committee of College of Management and Economics – King Abdulaziz University	Bachelor of Accounting – King Abdulaziz University Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA)	Has more than 25 years of experience in accounting, auditing, and economics

E - Risk Management Committee

The primary purpose of the Risk Management Committee is to advise the Board of Directors regarding risk tolerance and risk strategy and to oversee the management's implementation of this strategy. This includes the management of capital and liquidity strategies, credit and market risk management, operational risk, compliance risk, reputational risk, and any other potential risks that the Bank may face. The Committee held five meetings during the year 2022 as follows:

Meeting No.	Date	Member name: Alaa bin Shakib Al Jabri Chairman	Khalid bin Abdulrahman Al Gwaiz Member	Hamza bin Othman Khoshaim Member
1.	17 February 2022	✓	✓	✓
2.	28 June 2022	✓	✓	✓
3.	24 August 2022	✓	✓	✓
4.	3 November 2022	✓	✓	✓
5.	13 December 2022	✓	✓	✓

Procedures of the Board of Directors to inform its members of shareholders' suggestions and comments on the Bank and its performance

The Bank documents shareholders' suggestions provided through the General Assembly and notifies the Chairman of the Board of any other suggestions related to the Bank to be presented at the next Board meeting. There is also an e-mail address dedicated to the comments and suggestions of the shareholders, which is published on the official website of the Bank and on Tadawul website so that the Board can review the suggestions and comments of the shareholders.

Methods adopted by the Board of Directors in evaluating its performance and that of its committees and members

GRI 2-18

The Bank's Governance Committee evaluates the performance of the Board, its committees, and members through specific surveys at three levels: Board evaluation based on the Board of Directors terms of reference specified in the Bank's Governance Manual, evaluation of Board's Committees and the Audit and Compliance Committee based on their approved work regulations, and the self-evaluation of the Board and Committees member. The Governance Committee then prepares the annual evaluation report and submits it to the Nominations and Remunerations Committee.

Remunerations of Board members, Board Committee members, and Executive Management

GRI 2-19 GRI 2-20

A - Summary of the most important provisions of the remuneration policy for members of the Board, its Committees and the Executive Management:

1 - Board of Directors remunerations and compensations:

The members of the Bank's Board of Directors receive a fixed annual remuneration amounting to (SAR 400,000) on an annual basis for their membership on the Bank's Board of Directors and their participation in its works.

Each member of the Board of Directors receives an amount of (SAR 5,000) for attending each of the Board's sessions, whether the attendance is physical or through any remote means of communication.

The Bank pays all actual expenses incurred by members of the Board for attending the Board meetings, including travel and accommodation expenses.

2 - Remunerations and compensations of Board members for their membership in Board sub-committees:

The Bank's Board members do not receive additional remuneration for their participation in the Board sub-committees as the annual remuneration includes additional remunerations if the member participates in any Board sub-committees.

Each member of the Board of Director receives an amount of (SAR 5,000) for attending each Committee meeting, whether the attendance is physical or through any remote means of communication.

The Bank pays all actual expenses incurred by members of the Board for attending the Committee meetings, including travel and accommodation expenses.

3 - Remunerations and compensations for Audit and Compliance Committee members:

Each member of the Audit and Compliance Committee, whether from within or outside the Board, receives a fixed annual remuneration for his or her participation in the Committee's work, estimated at (SAR 150,000) annually. Annual remunerations and compensations for non-Board Audit and Compliance Committee members are not calculated as part of the annual remunerations and compensations granted to the Board member.

Each member of the Audit and Compliance Committee receives an amount of (SAR 5,000) for attending each Committee meeting, whether the attendance is physical or through any remote means of communication.

The Bank pays all actual expenses incurred by members of the Committee for attending the Committee meetings, including travel and accommodation expenses.

4 - Granting shares:

The Bank does not grant shares as remuneration to any Board member, Board Committee member, or Audit and Compliance Committee member.

5 - Allocation and payment mechanisms for remunerations and compensations:

Compensations and remunerations due to Board members and non-Board members are calculated on an annual basis, based on the recommendation of the Nominations and Remunerations Committee and approval of the Board of Directors. Amounts are then presented to the General Assembly for approval at its next meeting.

Remunerations can vary to reflect the member's experience, competencies, tasks, independence, and the number of attended meetings among other considerations.

Attendance remunerations are paid annually to beneficiaries based on their attendance records for Board, sub-committees, and Audit and Compliance Committee meetings.

Payments are made through Bank transfers, cheques, or any other methods approved by the Bank, and members are informed of details through the relevant department at the Bank.

Remunerations and compensations paid to Board members may not exceed (SAR 500,000) annually. Any additional due amounts will not be disbursed, except for the members of the Audit and Compliance Committee from within the Board. Total amounts paid to Board members should not exceed 5% of total net profits.

6 - Remunerations and compensations of Senior Executives:

The role of the Board of Directors includes, but is not limited to the following:

- The Board of Directors is responsible for approving the overall structure of numerations and oversight of all aspects of the remuneration system and may not delegate this responsibility to the executive management.

- Although there is a Board Nomination and Remuneration Committee, the Board of Directors has ultimate responsibility for promoting effective governance and sound remuneration practices.
- The Board of Directors reviews and approves the Remuneration Policy and any of its subsequent updates, based on the recommendation of the Nomination and Compensation Committee, taking into account, inter-alia, the Rules on Compensation Practices approved in May 2010 and any future updates or revisions issued by the Saudi Central Bank.

The Board of Directors reviews and approves the recommendations of the Nomination and Compensation Committee regarding the remunerations of senior executives. For this purpose, senior executives include senior managers and all those executives whose appointments are subject to non-objection by the Saudi Central Bank or other regulators.

The Board of Directors ensures that the management has put in place detailed systems and procedures and an effective oversight mechanism to ensure compliance with the Saudi Central Bank Rules on Compensation Practices and the Financial Stability Board Principles and Standards.

7 - Structure of remunerations and compensations of Senior Executives:

Remunerations structures are designed for the various levels of employees in a manner that enhances the effectiveness of risk management and achieves remunerations and compensations objectives in accordance with the highest standards of remunerations practices.

Forms of remunerations vary according to the position and role of the employee and may include cash payments, shares, and other forms of rewards and compensations.

The proportion of fixed and variable remuneration components for different business sectors is determined based on the nature and level of the employee's responsibilities, the field of business, and the general philosophy of the Remuneration Policy of the Bank. The Bank ensures that the total variable remuneration does not limit its ability to strengthen the capital base.

The remunerations structure for employees working in control functions such as Risk and Compliance, Internal Auditing, etc., is designed with the aim of ensuring the objectivity and independence of these functions. In this regard, performance management and the determination of remunerations and compensations for these employees are not assigned to any person who works or has any relationship with the business sector that these employees monitor or supervise.

When determining remuneration allocations, the overall performance of the Bank is taken into consideration, while their distribution to employees is based on the performance of the employees in addition to the performance of the business unit or department in which they operate. However, there is no guaranteed minimum remuneration or similar payment, other than an employee's salary that is not based on performance.

As part of the Remuneration Policy, the Bank may postpone a reasonable percentage of the performance bonus for a period of no less than three (3) years. The deferred bonus percentage and the maturity period are determined based on the nature of the business, its risks, and the activities carried out by the employee.

Where the Remuneration Policy provides for the payment of part of the remuneration and compensation in the form of shares, criteria must be set to determine the value of the share allocation. Moreover, the allocation of shares should be subject to an appropriate policy of shares retention.

Joining bonuses are not permitted unless clearly aligned with long-term value creation and prudent risk-taking. Payments should be related to the performance achieved over time and designed in a way that does not reward failure. Joining bonuses should be at least linked to successful completion of the probation period and where possible, they should be deferred according to terms similar to the those of deferred bonuses in the employee's previous employer.

The Bank should demand from its employees that they commit themselves not to use personal hedging strategies or remunerations and liability-related insurance to undermine the risk alignment effects embedded in their remuneration and compensation arrangements.

The Bank confirms that there are no major deviations between granted remunerations and applicable Remunerations Policy.

B - Remunerations and compensations paid to Board members, Board Committees, and Audit & Compliance Committee in 2022:

No.	Name	Board of Directors meetings		Audit and Compliance Committee meetings		Executive Committee meetings	
		No.	SAR	No.	SAR	No.	SAR
1.	Abdullah bin Sulaiman Al Rajhi	6	30,000	–	–	6	30,000
2.	Ibrahim Bin Mohammed Al Rumaih	6	30,000	–	–	6	30,000
3.	Abdulaziz bin Khalid Al Ghufaily	6	30,000	–	–	6	30,000
4.	Khalid bin Abdulrahman Al Gwaiz	6	30,000	–	–	–	–
5.	Badr bin Mohammed Al Rajhi	6	30,000	–	–	–	–
6.	Alaa bin Shakib Al Jabri	6	30,000	–	–	–	–
7.	Ibrahim bin Fahad Al Ghofaily	6	30,000	–	–	–	–
8.	Raeed bin Abdullah Al-Tamimi	6	30,000	9	45,000	–	–
9.	Hamza bin Othman Khoshaim	6	30,000	–	–	6	30,000
10.	Abdulatif bin Ali Al Seif	6	30,000	9	45,000	6	30,000
11.	Stefano Paolo Bertamini (membership expired)	2	10,000	–	–	–	–
12.	Waleed bin Abdullah Al Mogbel (New member)	3	15,000	–	–	–	–
13.	Abdullah bin Ali Al Muneef	–	–	9	45,000	–	–
14.	Walid bin Abdullah Tamairik	–	–	9	45,000	–	–
15.	Farraj bin Mansour Abuthnain	–	–	9	45,000	–	–
	Total	65	325,000	45	225,000	30	150,000

Nominations and Remunerations Committee meetings		Governance Committee meetings		Risk Committee meetings		Annual remuneration	Total	Total paid to member according to policy
No.	SAR	No.	SAR	No.	SAR	SAR	SAR	SAR
–	–	–	–	–	–	400,000	460,000	460,000
4	20,000	4	20,000	–	–	400,000	500,000	500,000
4	20,000	–	–	–	–	400,000	480,000	480,000
4	20,000	–	–	5	25,000	400,000	475,000	475,000
–	–	–	–	–	–	400,000	430,000	430,000
–	–	–	–	5	25,000	400,000	455,000	455,000
–	–	4	20,000	–	–	400,000	450,000	450,000
4	20,000	4	20,000	–	–	550,000	665,000	665,000
–	–	–	–	5	25,000	400,000	485,000	485,000
–	–	–	–	–	–	550,000	655,000	655,000
–	–	–	–	–	–	198,356	208,356	208,356
–	–	–	–	–	–	58,082	73,082	73,082
–	–	–	–	–	–	150,000	195,000	195,000
–	–	–	–	–	–	150,000	195,000	195,000
–	–	–	–	–	–	150,000	195,000	195,000
16	80,000	12	60,000	15	75,000	5,006,438	5,921,438	5,921,438

C - Remunerations and compensations paid to five Senior Executives who received the highest remunerations from the Bank, including the CEO and CFO, in 2022.

Description	2022
Salaries and compensations	10,260,000
Allowances	5,209,738
Periodic and annual rewards	12,640,000
Incentive schemes	21,140,000
Any other in-kind compensations	916,403
Total	**50,166,141**

Employee benefits and plans

The Bank offers its employees a number of benefits and bonuses during or at the end of the service period, according to the Saudi Labor Law and the Bank's policies. The provision for employees' end-of-service benefits is calculated using the entitlement assessment form in accordance with the Saudi Labor Law and local regulatory requirements. The provision for the end-of-service benefits amounted to SAR 2,241 Mn.

The Bank also grants deferred shares to its senior employees and to valuable human assets that the Bank needs to retain. This ensures strengthening the Bank's long-term relationship with those employees. Granting of shares is subject to the approval of the Board of Directors upon the recommendation of the Nominations and Remunerations Committee.

Any penalty, sanction, precautionary measure, or precautionary restriction imposed on the Bank by the CMA or any supervisory, regulatory, or judicial authority

There are no fines imposed by the Capital Market Authority.

Penalties imposed by Saudi Central Bank

Violation subject	Fiscal year 2022		Fiscal year 2021	
	Number of penalty decisions	Total amount of fines in SAR	Number of penalty decisions	Total amount of fines in SAR
Violating the supervisory instructions of the Saudi Central Bank	**49**	**38,459,200**	27	15,903,000
Violating the instructions of Saudi Central Bank related to customer protection	**4**	**1,062,400**	7	4,436,800
Violating the instructions of Saudi Central Bank related to due diligence	**–**	**–**	1	2,165,000
Violating the instructions of Saudi Central Bank related to the level of performance of ATMs and POS machines	**–**	**–**	–	–
Violating the instructions of Saudi Central Bank related to due diligence in combating money laundering and terrorism financing	**3**	**150,000**	5	795,000

Fines imposed by the Ministry of Municipal and Rural Affairs:

No.	Violation subject	Total amount of fines in SAR	
		Fiscal year 2022	Fiscal year 2021
1.	Increase of building area percentage for ATMs, lack of setbacks, visible advertising posters on branches facades and ATMs, and non-existence of licenses for some Bank's locations.	**306,000**	924,300

Outcomes of the annual review of internal control procedures at the Bank, in addition to the Audit and Compliance Committee opinion on the adequacy of the Bank's internal control system

The Bank's executive management is responsible for designing and maintaining an appropriate internal control system with the Board of Directors' direct supervision. The system has been designed to properly mitigate risks that could impair the realization of the Bank's strategic and operational objectives. The Bank's executive management has adopted a suitable integrated internal control system aligned with the regulatory requirements of the Saudi Central Bank. The following are some of the key components of the Bank's internal control system:

The Bank has completed, approved, and continuously develops the overall governance framework through which appropriate control tools are prepared and updated at the Bank level and the roles and responsibilities of the Bank's various levels are clarified, including the Board of Directors, the Board committees, and other administrative committees.

Monitoring the Bank's activities in general and making important decisions through committees formed to ensure that the Bank's activities are running properly in order to protect and ensure the quality of the Bank's assets.

The Auditing Department monitors the adequacy of the Bank's supervisory procedures and adheres to them, and prepares a presentation clarifying the focus and development aspects.

The Internal Control Committee (ICC) formed at the Bank continuously follows up on the observations and control operations in departments such as Internal Auditing, Risks and Compliance, Account Differences, and other departments, and reviews the level of progress in addressing those observations and developing solutions to any obstacles that the Bank's departments may face in this regard.

The Bank has a set of policies and procedures that govern its various activities. The Bank also reviews these policies and procedures periodically to verify their adequacy, efficiency, and suitability for the Bank's activities.

Most of the operations of the Bank are executed through automated systems, which helps in reducing manual errors and chances of fraud.

The Bank has specialized departments for evaluating and monitoring internal control systems, including Internal Auditing, Compliance, Fraud Control, and various risk departments.

There is an effective Audit and Compliance Committee supervising internal and external auditors' activities in order to promote their independence. This Committee receives regular and periodic reports on outcomes of audits carried out on different departments and their activities.

The comments and reports of the Shariah Group are conveyed to the Audit Committee to enhance the independence of the Shariah Group.

Follow up on important transactions, fraud cases, legal cases, tax and Zakat cases, disclosures, and any matters requested by the Board of Directors from the Audit and Compliance Committee.

Regular reviews on the efficiency and adequacy of the internal control system are carried out by the Internal Auditing Group based on an annual plan approved by the Audit and Compliance Committee, in addition to regular reviews of some aspects of internal control by external auditors as well as the audit carried out by the Saudi Central Bank.

Annual review of internal control procedures

During 2022, Al Rajhi Bank made every effort to ensure the adequacy and effectiveness of the internal control system, in line with the requirements issued by the Saudi Central Bank. In addition, the activities implemented during the year 2022, which included a review of the efficiency of the internal control system through the works of Departments of Internal Audit and Risks and Compliance have contributed to providing reasonable assurances of the adequacy of the applied internal controls, in addition to confirming the existence of systems and procedures necessary to identify and evaluate the high risks that the Bank may face, the method of dealing with them, as well as the safety of their application. No fundamental weaknesses affecting the adequacy of the internal control system were detected. Accordingly, and based on the results of the internal control system evaluation, Al Rajhi Bank has an adequate internal control system that works appropriately and is monitored and strengthened on an ongoing basis, bearing in mind that any internal control system, regardless of the level of its design and effectiveness, cannot provide absolute assurances.

General Assembly

The Bank adheres to the regulatory requirements in all matters relating to Ordinary and Extraordinary General Assemblies. The Bank is also obliged to provide sufficient information to enable shareholders to make their decisions.

Historical information of General Assembly meetings during the fiscal year:

No.	Name	Attendance record Extraordinary General Assembly 14th Meeting
1.	Abdullah bin Sulaiman Al Rajhi	✓
2.	Ibrahim bin Mohammed Al Rumaih	✓
3.	Alaa bin Shakib Al Jabri	✓
4.	Khalid bin Abdulrahman Al Gwaiz	✓
5.	Stefano Paolo Bertamini	✓
6.	Badr bin Mohammed Al Rajhi	✓
7.	Abdulatif bin Ali Al Seif	✓
8.	Hamza bin Othman Khoshaim	✓
9.	Abdulaziz bin Khalid Al Ghufaily	✓
10.	Raeed bin Abdullah Al-Tamimi	✓
11.	Ibrahim bin Fahad Al Ghofaily	✓

Bank's significant plans, decisions, and future expectations

Al Rajhi Bank continues to lead in the retail banking market, and intends to enhance its leadership in this sector by increasing the financing portfolio in general and real estate financing in particular. The Bank also intends to strengthen its position in the SMEs sector, while continuing to invest in the latest technologies to ensure the provision of the best banking services and products to customers, in addition to expanding the customer base.

Description of the Bank's dividend policy

(A) The net annual profits of the Bank, which are determined after deducting all overheads and other costs and creating the necessary reserves to face doubtful debts, investment losses, and emergency obligations that the Board of Directors deems necessary in accordance with the provisions of the Banking Control Law and the directives of the Saudi Central Bank, are distributed as follows:

1. The amounts required to pay the Zakat prescribed for the shareholders are calculated and the Bank pays these amounts to the competent authorities.
2. At least 25% of the remainder of the net profits after deducting Zakat is carried over to the statutory reserve until the aforementioned reserve becomes at least equal to the paid-up capital.
3. An amount not less than 5% of the paid-up capital, after deducting the statutory reserve and Zakat, is allocated from the remainder of the profits for distribution to the shareholders in accordance with the Board of Directors' proposal and the General Assembly's decision. If the remaining percentage of the profits owed to the shareholders is not sufficient to pay this percentage, then shareholders may not claim its payment in the following year or years, and the General Assembly may not decide to distribute a percentage of the profits exceeding what was proposed by the Board of Directors.
4. The remaining amount is used after allocating the amounts mentioned in Paragraphs (1), (2), and (3), as proposed by the Board of Directors and decided by the General Assembly.

(B) Subject to the provisions of Paragraph (A) and the relevant regulations and after obtaining no objection from the Saudi Central Bank, the Company may distribute interim dividends on a semi-annual or quarterly basis.

Description of any interest of the Bank's board members, senior executives and their spouses and minor children in the Bank's securities or any of its subsidiary companies.

A - Major shareholders:

No.	Holder of interest, contractual papers, or subscription rights	Number of shares at the beginning of year 2022	Number of shares at the end of year 2022	Net change	Percentage of change	Percentage of ownership %
1.	General Organization for Social Insurance	240,454,785	Non-major shareholder since 13 January 2022			

B - Members of the Board of Directors:

No.	Holder of interest, contractual papers, or subscription rights	Number of shares at the beginning of year 2022	Number of shares at the end of year 2022	Net change	Percentage of change %
1.	Abdullah bin Sulaiman Al Rajhi	54,518,389	87,229,416	32,711,027	60.00
2.	Ibrahim bin Mohammed Al Rumaih	17,089	27,342	10,253	60.00
3.	Abdulaziz bin Khalid Al Ghufaily	32,307	51,691	19,384	60.00
4.	Badr bin Mohammed Al Rajhi	2,041,390	3,647,973	1,606,583	78.70
5.	Khalid bin Abdulrahman Al Gwaiz	-	-	-	0.00
6.	Alaa bin Shakib Al Jabri	-	-	-	0.00
7.	Ibrahim bin Fahad Al Ghofaily	742,742	1,188,387	445,645	60.00
8.	Raeed bin Abdullah Al-Tamimi	-	-	-	0.00
9.	Abdulatif bin Ali Al Seif	1,000	1,600	600	60.00
10.	Hamza bin Othman Khoshaim	-	-	-	0.00
11.	Stefano Paolo Bertamini	-	Board representation expired on 01 July 2022	-	0.00
12.	Waleed bin Abdullah Al Mogbel	Board representation started on 09 November 2022	-	-	0.00

3 shares were granted for every 5 owned shares to reflect the increase in the Bank's capital based on the approval of the 14th Extraordinary General Assembly held on 08 May 2022.

C - Senior executives:

No.	Holder of interest, contractual papers, or subscription rights	Number of shares at the beginning of 2022	Number of shares at the end of year 2022	Net change	Percentage of change %
1.	Saleh bin Abdullah Al Lheidan	44,991	94,432	49,441	109.89
2.	Abdulrahman bin Abdullah Al Fadda	49,691	79,505	29,814	60.00
3.	Abdulaziz bin Saad Al Rusais	500	–	(500)	-100.00
4.	Ahmed bin Saleh Al Sudais	3,000	32,000	29,000	966.67
5.	Meshaal bin Mustafa Al Fadl	–	11,180	11,180	100.00
6.	Majed bin Saleh Al Rajhi	88,864	145,019	56,155	63.19
7.	Hussam bin Issam Al Basrawi	–	13,543	13,543	100.00
8.	Abdullah bin Saleh Al-Omari	–	3,529	3,529	100.00
9.	Turki bin Mohammad Al-Dafyan	–	8,867	8,867	100.00
10.	Ibraheem bin Hamad Alzeer	2,332	8,755	6,423	275.43

3 shares were granted for every 5 owned shares to reflect the increase in the Bank's capital based on the approval of the 14th Extraordinary General Assembly held on 08 May 2022.

Board of Directors meetingsr

No.	Member name	Number of meetings (6)					
		First meeting 24 February 2022	Second meeting 29 June 2022	Third meeting 15 August 2022	Fourth meeting 13 December 2022	Fifth meeting 14 December 2022	Sixth meeting 15 December 2022
1.	Abdullah bin Sulaiman Al Rajhi	✓	✓	✓	✓	✓	✓
2.	Ibrahim bin Mohammed Al Rumaih	✓	✓	✓	✓	✓	✓
3.	Alaa bin Shakib Al Jabri	✓	✓	✓	✓	✓	✓
4.	Abdulaziz bin Khalid Al Ghufaily	✓	✓	✓	✓	✓	✓
5.	Badr bin Mohammed Al Rajhi	✓	✓	✓	✓	✓	✓
6.	Khalid bin Abdulrahman Al Gwaiz	✓	✓	✓	✓	✓	✓
7.	Ibrahim bin Fahad Al Ghofaily	✓	✓	✓	✓	✓	✓
8.	Hamza bin Othman Khoshaim	✓	✓	✓	✓	✓	✓
9.	Raeed bin Abdullah Al-Tamimi	✓	✓	✓	✓	✓	✓
10.	Abdulatif bin Ali Al Seif	✓	✓	✓	✓	✓	✓
11.	Stefano Paolo Bertamini	✓	✓	Membership expired on 01 July 2022			
12.	Waleed bin Abdullah Al Mogbel	Membership started on 09 November 2022			✓	✓	✓

Bank requests for shareholder register

No	Request date	Request reasons
1.	03 January 2022	⊛
2.	03 January 2022	⊛
3.	31 January 2022	⊛
4.	28 February 2022	⊛
5.	04 April 2022	⊛
6.	29 May 2022	⊛
7.	03 July 2022	⊛
8.	07 August 2022	⊛
9.	07 September 2022	⊛
10.	03 October 2022	⊛
11.	01 November 2022	⊛
12.	30 November 2022	⊛
13.	22 December 2022	⊛

⊛ Company actions

Related party transactions

During its normal business cycle, the Bank makes transactions with related parties which are subject to the controls stipulated by the Kingdom's legislative entities. The Bank has disclosed related party transactions in Note 34 of its final Financial Statements for the year 2022. The following is a summary of the nature and balances of those transactions for the year ended on 31 December 2022 (all amounts are in thousands of Saudi riyals):

Type of transaction	Balances resulting from transactions
Loans and advance payments	14,491,266
Accrued Payable on Financing	479,252
Potential obligations	4,999,867
Current accounts	389,941
Contributions payable	121,709
Receivables against claims	275,418
Bank balances	168,727
Income from finance and other financial assets	293,015
Mudaraba Fees	130,028
Employees' salaries and benefits (air tickets)	2,666
Rent and premises related expenses	2,313
Contribution – policies written	554,460
Claims incurred and notified during the year	373,090
Claims paid	349,542
Board members remunerations	5,921
Short-term benefits	130,284
Provision for employees' end of service benefits	2,241

Following is information related to businesses and contracts in which the Bank was a party and in which there was an interest for a member of the Board of Directors, a senior executive, or any person related to their professions during the year 2022:

1 - Commercial contracts and service contracts (all figures are in Saudi Riyal)

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2022
1.	Fursan Travel & Tourism Co.	Abdullah bin Sulaiman Al Rajhi	Board Member	Owned by Board member	Travel & tourism services contract	Pricing contract for a period of one year automatically renewed for a similar period	Standard conditions without preferences	**2,859,267**
2.	Berain Company	Badr bin Mohammed Al Rajhi	Board Member	Chairman of the Board	Mineral water supply services	Pricing contract for a period of one year automatically renewed for a similar period	Standard conditions without preferences	**348,945**
3.	Arabian Internet and Communications Services Company "STC Solutions"	Abdulatif bin Ali Al Seif	Board Member	Board member of the Company	Cisco Hardware Support and Maintenance, Licensing, and Infrastructure Transformation Solutions	One to three years	Standard conditions without preferences	**1,373,111**

2 - Lease contracts (All figures are in Saudi Riyal)

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2022
1.	Mohammed Abdulaziz Al-Rajhi and Sons Investment Company	Badr bin Mohammed Al Rajhi	Board Member	Board Member in the Company	Lease contract for the Southern Regional Administration building	Seven years – automatically renewable for similar period	Lease contract	**282,373**
2.	Mohammed Abdulaziz Al-Rajhi and Sons Investment Company	Badr bin Mohammed Al Rajhi	Board Member	Board Member in the Company	Lease contract for a direct sales office in Abha	Seven years – automatically renewable for a similar period	Lease contract	**46,000**
3.	Mohammed Abdulaziz Al-Rajhi and Sons Investment Company	Badr bin Mohammed Al Rajhi	Board Member	Board Member in the Company	Lease contract for ATM location	Five years – automatically renewable for a similar period	Lease contract	**40,250**

3 - Insurance contracts

No.	Related Party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2022
1.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board Member in the Company	Micro and Small Business Motor Insurance	Annual contracts	No preferential conditions or benefits	27,662,596
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior executive	Senior executive is a member of Shariah Board				
2.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board Member in the Company	Banker's Blanket Bond and Professional Indemnity Insurance	Annual contracts	No preferential conditions or benefits	12,056,443
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior executive	Senior executive is a member of Shariah Board				
3.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board Member in the Company	Directors and Officers Insurance	Annual contracts	No preferential conditions or benefits	4,010,160
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior executive	Senior executive is a member of Shariah Board				

No.	Related Party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2022
4.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi Waleed bin Abdullah Al Mogbel Saleh bin Abdullah Al Lheidan	Board Member Managing Director and CEO Senior executive	Board Member in the Company Managing Director and CEO is a Board member Senior executive is a member of Shariah Board	Properties All Risk Policy	Annual contracts	No preferential conditions or benefits	2,309,517
5.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi Waleed bin Abdullah Al Mogbel Saleh bin Abdullah Al Lheidan	Board Member Managing Director and CEO Senior executive	Board Member in the Company Managing Director and CEO is a Board member Senior executive is a member of Shariah Board	Fire and Allied Perils Policy – Mortgage Insurance	Annual contracts	No preferential conditions or benefits	6,538,885
6.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi Waleed bin Abdullah Al Mogbel Saleh bin Abdullah Al Lheidan	Board Member Managing Director and CEO Senior executive	Board Member in the Company Managing Director and CEO is a Board member Senior executive is a member of Shariah Board	Bancassurance Agreement	Annual contracts	No preferential conditions or benefits	80,504,252

No.	Related Party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2022
7.	Al Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board Member in the Company	Motor Insurance Agreement	Annual contracts	No preferential conditions or benefits	421,377,668
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior executive	Senior executive is a member of Shariah Board				

Legal payments

Legal payments due by the Bank during the year consist of Zakat owed by shareholders, taxes, amounts paid to the General Organization for Social Insurance, and costs of issuing visas, passports, etc.

The following table shows details of the legal payments made during the year:

	2022			
Description	Paid	Due for payment by end of fiscal period (unpaid)	Brief description	Reasons
Zakat	2,560,421,877.37	-	Paid	-
Taxes	61,524,969.91	-	Paid	-
VAT	290,846,627.73	-	Paid	-
General Organization for Social Insurance	274,947,809	-	Paid	-
Visa and passport costs	587,150	-	Paid	-
Ministry of Labor fees	1,574,725	-	Paid	-

Basis for preparing the Bank's consolidated financial statements

The Bank prepares its consolidated financial statements in accordance with international accounting standards for financial institutions approved in the Kingdom of Saudi Arabia as well as other standards and publications issued by Saudi Organization for Chartered and Professional Accountants and the requirements of the Banking Control Law, the Companies Law applicable in the Kingdom of Saudi Arabia, and the Bank's Articles of Association.

Basel 3

The Bank publishes its quantitative and qualitative disclosure data on an annual basis. These disclosures are available on the Bank's website (www.alrajhibank.com.sa).

Auditors

During the Ordinary General Assembly of the shareholders, Messrs. Ernst & Young and KPMG Al Fozan & Partners were appointed as auditors for the Bank's accounts for the fiscal year 2022. The next General Assembly will appoint external auditors for the fiscal year 2023 based on the recommendation of the Audit and Compliance Committee in this regard.

The Board did not recommend replacing the external auditors before the end of the contract period.

Board of Directors' Acknowledgments:

According to the available information, the auditor's report, and current market data, the Board of Directors acknowledges the following:

- Accounting records have been prepared properly
- The internal control system has been prepared based on proper fundamentals and is executed effectively
- There is no doubt about the Bank's ability to continue its business.

Conclusion

The Board of Directors expresses its pleasure and pride in the positive results achieved by the Bank during the year 2022. On this occasion, the Board would like to convey its appreciation to the Custodian of the Two Holy Mosques, HRH the Crown Prince, and our wise Government.

The Bank also extends its sincere thanks to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank, and the Capital Market Authority for their consistent cooperation and continuous support in developing the financial sector, which had a great impact and role in supporting the growth of the national economy.

The Board also seizes this opportunity to express its thanks and appreciation to the shareholders, the Bank's valued customers and its correspondents for their support, confidence and cooperation, which have had a positive impact on the Bank's progress and prosperity. The Board also conveys its sincere thanks and appreciation to all employees of the Bank for their sincere efforts and dedication. In addition, the Bank extends its appreciation to Shariah Board members for their loyal efforts and effective contributions to the Bank's business.

risk management

Going into 2022, Al Rajhi Bank Risk Group's primary focus was on the Fundamental Review of the Trading Book (FRTB), the Basel Committee's market risk framework, where the Bank ran its revisions with a target for the revised framework to go live in 2023. The reporting period saw the Group implemented the Basel III reforms, which had been formulated in the wake of the 2008 financial crisis to enhance prudential regulatory standards, supervision and risk management of banks.

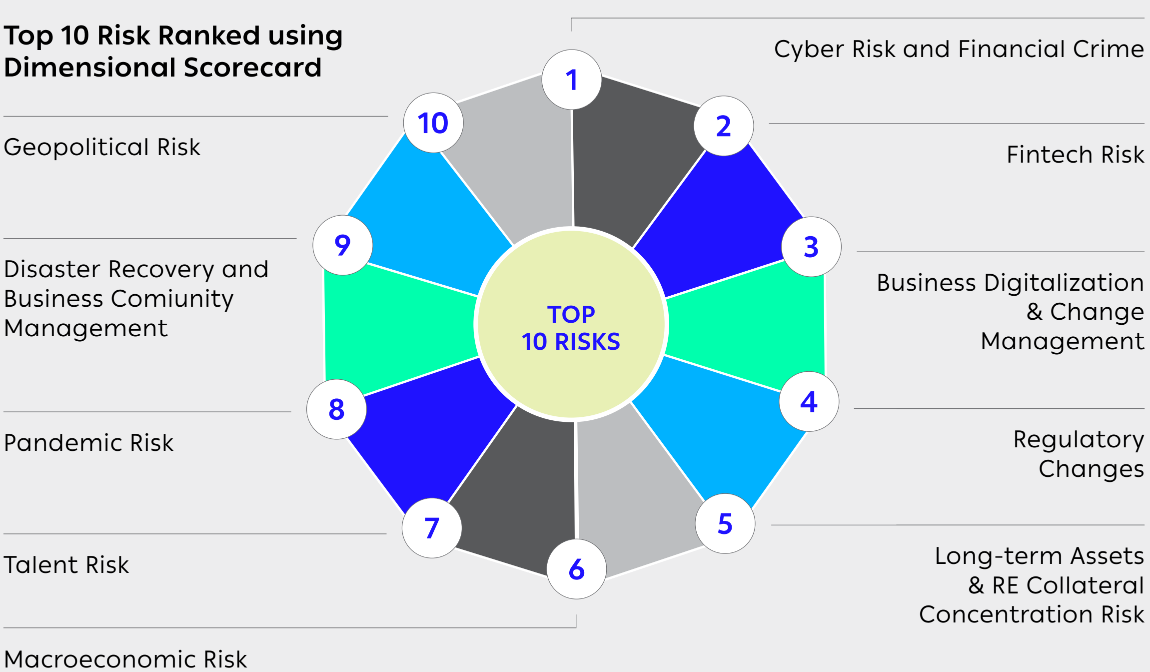
This implementation cut across three streams, namely Credit, Market and Operational Risk, and the Bank conducted gap analyses taking into account the regulatory guidelines, data requirements and system implementations including methodology validation.

The overall risk management framework was largely unaffected by these enhancements, though certain new policy and procedure changes around "Trading Book" portfolio classification are expected to come into effect in January 2023. These include clear demarcation between Trading and Banking book boundaries. The Bank also introduced a separate Trading Book policy during the year under review as required by regulation with similar revisions to its Market Risk policy.

Types of risk

The Bank is exposed to a number of risks conventionally, which it manages through its robust risk management framework. Various other external and internal factors also affect the Bank's risk profile on an ongoing basis, with the Risk Group identifying emerging risks and uncertainties with potential to increase the unpredictability of the operating environment. Aside from the conventional risks, IT security and cybercrime became the top concerns of the Risk Group during the year under review.

Top 10 Risk Ranked using Dimensional Scorecard



Credit Risk

Being primarily a Retail bank with credit facilities provided to customers on-balance sheet and off-balance sheet, credit risk remained the largest and most common risk source for the Bank. However, given the solid nature of Al Rajhi Bank's portfolio, which has a bigger concentration of Public Sector customers with salary assignment, the credit risk also remained lowest among its peers during the reporting period.

Due to the potential a retail portfolio comprising a large number of individual customers with small loans has to hurt the Bank when in collective default, Al Rajhi Bank continued to conduct regular data integrity and portfolio monitoring, providing fair evaluation of the individual borrower, and analysing their financial standing which reflects their capacity to repay the Bank.

A change in the Retail portfolio mix initiated in December 2021 saw a shift toward big-ticket loans such as mortgages, which posed a higher risk concentration per customer. Regular portfolio monitoring was conducted to build feedback loops and aid the Retail business and Risk Group to implement effective mitigants and controls to minimise impacts.

This also led to a re-evaluation of the Bank's target markets, with the Risk Group shifting focus from high-risk segments where defaults and delinquency rates are higher than the Bank's risk appetite, and redirected the focus towards low risk segments by targeting the higher income, salary aligned segment with stable employers.

The business verticals along with Risk and Compliance Groups worked together throughout the reporting period to ensure prompt compliance of all new and altered regulations and governing rules during the year.

Accelerated digital banking posed credit risk from a customer acquisition perspective during the reporting period, which the Bank addressed by adopting a phased approach to manage the credit risk at origination level, and ensure compliance based on the approved risk acceptance criteria. Stakeholders were consulted in the conceptualisation and implementation of the digitisation process.

For the growing Corporate Business, Al Rajhi Bank's Loan Origination System (LOS) was revamped to automate the evaluation of customer credit worthiness using unique quantitative and qualitative criteria, and alerting the Bank of any changes in the counterparty's credit risk profile. An Early Warning Signals (EWS) model geared to detect any weaknesses in the quality of portfolios was utilised to enable the Bank to proactively engage appropriate remedial measures through relationship teams or the Special Assets Management Unit to rectify any credit risk issues.

These actions resulted in a reduction in non-performing loans (NPL) of the non-Retail portfolio by over 20%. Regular monitoring of portfolios to determine delinquencies also helped Corporate Banking reduce the number of past due obligations and Expired Credit Applications (CA) well below expected risk appetite thresholds.

Different strategies were executed to ensure lower inflows going to late buckets, and address issues related to systems and logics to assess genuine defaults and find solutions. The bank also introduced a full ecosystem to manage any potential default in the Retail book, supported by a newly established Task Force to oversee all related legal cases.

2022 saw a significantly reduced error rate and improved turnaround time through continued automation as well as policy and control function enhancements. With all credit decisions that will be executed via the Bank's credit decision engine, the error rate is expected to be further reduced towards an ambitious zero error rate once the phased implementation is completed by 2023.

Liquidity risk

During the year under review, the Risk Group proactively managed its liquidity risk by constantly monitoring liquidity ratios vis-à-vis Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Liquid-Asset-Ratio (LAR) and Loan-to-Deposit Ratio (LDR). Through continuous monitoring, the Bank ensured that these ratios were comfortably maintained above regulatory minimum with a healthy buffer. While these liquidity indicators are continuously monitored by Treasury and Risk Groups within the Bank, they are also reported to the Asset-Liability Committee (ALCO) and Board Committees on a regular basis.

An increased volume of term deposits, call account deposits and Tier 1 Sukuk issuances in 2022 improved the funding diversification of the Bank during the year to further mitigate risk. The Bank also continued to consciously optimise its liquidity ratio management during the reporting period, a process that has been ongoing for the past two years.

Operational risk

The Bank's Operational Risk Management Policy underwent a comprehensive update in 2022 to adhere to the new Basel and SAMA requirements, alongside the automation of a number of operational risk tools and activities with its upgraded Enterprise Operational Risk Management System. These included the automation of Risk Control Self Assessment (RCSA), reporting and monitoring of Key Risk Indicators (KRI), incident logging and Root Cause Analysis (RCA), action plans logging and monitoring, risk register maintenance as well as risk reporting, maintaining the Bank's benchmarks while in compliance with SAMA requirements.

The Bank also revamped the end-to-end process of its new products and services development framework, enhancing request forms to capture essential requirements, and strengthening stakeholder involvement by ensuring that key control and support functions are engaged.

The approval process of the new products and services development framework was automated using the Jira platform.

Market risk

During the year under review, given the natural growth of the Bank's asset portfolio, there was increased reliance to fund the Bank's balance sheet growth from Term Deposits, given the insufficient incremental growth of Demand Deposits for the same. Despite liquidity and funding pressures witnessed in a market environment of interest rate hikes in 2022, the Bank successfully grew its asset book with corresponding positive growth in its bottom-line.

Concentration risk

The Bank's geographical diversity and the loyal patronage of its varied customer base mitigates concentration risk by providing greater stability in the face of external impacts. For the year under review, Corporate Banking enjoyed the advantage of a well-diversified portfolio across different business segments, industries and wallet sizes, despite rising interest rates that may have impacted customer debt servicing capabilities. The Bank reviewed certain predefined financial parameters across its entire portfolio in order to assess rate hike impacts, and adopted a detailed action plan to resolve such a situation.

The Retail portfolio, too, remained highly diversified. The bank proactively created an ecosystem to support low-income segments whose disposable income may be affected by higher inflation, providing multiple options especially across its growing mortgage portfolio, which the Risk Group continued to monitor closely.

Cybersecurity risk

With the fast-paced adoption of digitalization, the threat of cybersecurity risk is growing spurred by an expanding landscape. The Bank currently employs multiple dynamic defences via a number of countermeasures for

prevention, detection, and response in an effort to proactively address the current cybersecurity challenges. In order to ensure the efficiency of the Bank's overall cybersecurity posture, the Bank has also implemented a number of security measures using the defence-in-depth and multilayer security principles. By applying the best cybersecurity standards recommended by the national cybersecurity and financial sector regulators, the Bank has reinforced its current cybersecurity governance procedures and ensured the confidentiality, integrity, privacy, and availability of all business and technological processes. The Bank continuously improves its cybersecurity culture by implementing a variety of training and awareness initiatives that are directed at both customers and employees.
To ensure that all of its business services are trustworthy and secure, the Bank continuously conducts cybersecurity assurance assessments on its systems, apps, and networks. Additionally, the Bank regularly engages its recognized vendors in independent internal and external audits to confirm the efficiency of installed cybersecurity controls and compliance with national and international standards including the Payment Card Industry Data Security Standard (PCI DSS), SAMA, SWIFT, SARIE, and the Saudi National Cybersecurity Authority (NCA).
The Bank has a Security Operation Center that is operational around-the-clock, 365 days a year, continuously monitoring and promptly addressing cybersecurity threats and attacks.
The Bank has shown resilience against cyberattacks as a result of the implementation of cybersecurity measures, with no cybersecurity-related outage or operational impact thus far.

Emerging risks

Apart from the conventional risks inherent in financial intermediation, a number of emerging risks were identified during the reporting period based on internal assessments and external market trends.

Emerging Risk type	Description
Cyber Risk and Financial Crime	• Increased vulnerabilities to financial crime and fraud due to increased and intensified online financial activity
Fintech Risk	• Investments in Fintech to remain competitive and retain market share leading to increased risks in product unsuitability • Rapid changes in the operating model negatively impacting the competitiveness of the Bank
Business digitalization risk and change management	• Inadequacies in the selection of digital enablers impacting the achievement of business and growth objectives • Failure to deliver change projects impacting productivity, profitability and operational efficiencies
Macroeconomic Risk	• Deteriorating operating environment constraining growth opportunities
Talent Risk	• The inability to attract and retain top quality talent due to the intensifying war for talent in the region
Pandemic risk	• The high degree of uncertainty at a global level about the evolution of the pandemic, resulting government response and its economic impact

Risk management practices

The Risk Group is headed by the Chief Risk Officer, and functions within the Bank's risk framework and policies approved by the Board of Directors to manage risk across the entirety of the Bank's operations. The Group's reports to the Board and related committees span credit risks and portfolio asset quality, operational risks, liquidity risks, market risks, reputational risks, technology and cybersecurity risks among others.

In 2022, the Risk Group continued to establish risk thresholds derived from the Bank's risk appetite, accurately identifying risks and their impact on the Bank's value creation process, and managing such risks with prudence and pragmatism in order to remain profitable and provide shareholders with sustainable returns.

Al Rajhi Bank's Board Risk Management Committee (BRMC) supports the Board of Directors in their role of overseeing the Bank's performance in line with its risk appetite. The BRMC Charter was updated to comply with SAMA's new Corporate Governance regulations during the year under review.

The Bank's risk management framework is covered by the Bank's Internal Capital Adequacy Assessment Process (ICAAP), and details the Bank's risk appetite, risk management approach and primary risk controls. The ICAAP is submitted to SAMA on an annual basis following its review by the BRMC and approval by the Board. The BRMC then reviews and provides recommendations to the Board on the Internal Liquidity Adequacy Assessment Plan (ILAAP), which is also submitted to SAMA on an annual basis. The BRMC also reviews the Credit and Provisioning Policy, Operational Risk Policies, Risk Appetite Statements, Market and Liquidity Risk Policies and Information Security Policy of the Bank, submitting recommendations for the Board's approval.

The Asset and Liability Committee (ALCO) evolved from its role as a delegate to the Board of Directors that identifies, measures and manages the Bank's liquidity risks, into a steering committee for the Primary Dealership Committee (PDC) and Valuation Accounting Committee (VALCOM) during the previous reporting year, and ALCO continues to provide oversight on related activities, decisions and recommendations of PDC/VALCOM in its new role.

Credit rating

Al Rajhi Bank continued to strengthen its repute among international rating agencies by receiving stable to positive credit ratings for the year under review:

Rating Agency	Rating (Long Term)	Short Term	Outlook
S&P	BBB+	A-2	POS
Moody's	A-	F1	STABLE
Fitch	A1	P-1	STABLE
Capital Intelligence	A+	A1	STABLE

Future outlook

In light of recent growth and diversification in the Bank's Treasury portfolio, some of the risk management initiatives in 2023 will focus on developing a robust framework for measuring, monitoring and reporting the Standardised Approach for Counterparty Credit Risk (SA-CCR) and Credit Valuation Adjustment (CVA) risk.

In the coming year, the Bank will take a closer look at its pricing and valuation models that impact the risk sensitivities, and in-turn the capital charge. Enhancements will be undertaken to ensure the desired changes for regulatory and MIS reporting.

In 2023, the Bank will also work towards developing a Recovery and Resolution plan in line with the Systemically Important Financial Institutions (SIFIs) Law issued in the region.

financial statements

179

مصرف الراجحي
alrajhi bank

independent auditors' report

EY
Building a better working world

Ernst & Young Professional Services

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

KPMG

KPMG Professional Services

Riyadh Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarters in Riyadh

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Al Rajhi Banking and Investment Corporation (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Rajhi Banking and Investment Corporation (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for 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 financing As at 31 December 2022, the Group's gross financing amounted to SAR 576,365.8 Mn. (2021: SAR 462,028.8 Mn.), against which an expected credit loss ("ECL") allowance of SAR 8,027.7 Mn. (2021: SAR 9,198.2 Mn.) was recorded. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include: 1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of: (a) exposures that have a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired/defaulted exposures. The Group has applied additional judgments to identify and estimate the likelihood of borrowers experiencing SICR due to the current economic outlook.	• We obtained and updated our understanding of management's assessment of the ECL allowance in respect of financing, including the Group's internal rating model, accounting policy and methodology, as well as any key changes made during the year. • We compared the Group's accounting policy and methodology for ECL allowance 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) in relation to: – the ECL model (including governance over the model; its validation during the year; any model updates performed during the year; and approval of the key inputs, assumptions and post model overlays, if any); – the classification of financing 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 model; and – the integrity of data inputs into the ECL model.

Key audit matter

2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including, but not limited to, assessment of the financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.
3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model.

The application of these judgments continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2022.

How our audit addressed the key audit matter

- For a sample of customers, we assessed:
  - the internal ratings determined by management based on the Group's internal models, and considered these assigned ratings in light of external market conditions and available industry information. We also confirmed that these were consistent with the ratings used as inputs in the ECL model; and
  - management's computations of ECL.
- For selected financings, 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 the Group's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of financing facilities.
- We assessed the governance process established by the Group and the qualitative factors considered by the Group when applying any overlays or making any adjustments to the outputs from the ECL model, due to data or model limitations or otherwise.
- We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios.

Building a better working world

Key audit matter	How our audit addressed the key audit matter
Refer to the summary of significant accounting policy Note 3(e)(5) for the impairment of financial assets; Note 2(e)(i) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; Note 7(e) and (f) which contains the disclosure of impairment against financing; note 31-1a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2022. • Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in post model overlays. • We assessed the adequacy of the disclosures in the consolidated financial statements.

Other Information included in the Bank's 2022 Annual Report

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

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

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

Responsibilities of 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 IFRSs that are endorsed in Kingdom of Saudi Arabia, the applicable provisions of the KSA Companies Law, 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 management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 controls.
- 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 was not in compliance, in all material respects, with the applicable provisions of the KSA Companies Law, 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, for the year ended 31 December 2022.

Ernst & Young Professional Services

Waleed G.Tawfiq
Certified Public Accountant
License No. 437

KPMG Professional Services

Khalil Ibrahim Al Sedais
Certified Public Accountant
License No. 371

16 Rajab 1444 H
(07 February 2023)

consolidated statement of financial position

As at 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Assets			
Cash and balances with Central Banks	4	**42,052,496**	40,363,449
Due from banks and other financial institutions, net	5	**25,655,929**	26,065,392
Investments, net	6	**101,325,425**	84,138,142
Financing, net	7	**568,338,114**	452,830,657
Investment in associates	8	**820,717**	295,253
Investment properties, net	11	**1,364,858**	1,411,469
Property, equipment, and right of use assets, net	9	**11,338,782**	10,147,688
Goodwill and other intangibles, net	10	**1,214,547**	518,111
Positive fair value of derivatives	39	**1,703,536**	352,085
Other assets, net	12	**8,551,618**	7,522,382
Total assets		**762,366,022**	623,644,628

consolidated statement of financial position

As at 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions	13	**70,839,117**	17,952,140
Customers' deposits	14	**564,924,688**	512,072,213
Negative fair value of derivatives	39	**1,677,643**	311,138
Other liabilities	15	**24,699,539**	26,027,573
Total liabilities		**662,140,987**	556,363,064
Equity			
Share capital	16	**40,000,000**	25,000,000
Statutory reserve	17	**29,287,706**	25,000,000
Other reserves	17	**(427,569)**	282,107
Retained earnings		**9,864,898**	16,999,457
Proposed dividends	25	**5,000,000**	–
Equity attributable to shareholders of the Bank		**83,725,035**	67,281,564
Tier I Sukuk		**16,500,000**	–
Total equity	27	**100,225,035**	67,281,564
Total liabilities and equity		**762,366,022**	623,644,628

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

Chairman

Chief Executive Officer

Chief Financial Officer

consolidated statement of income

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

For the year ended 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Income			
Gross financing and investment income	19	28,201,631	21,441,506
Gross financing and investment return	19	(6,028,944)	(1,049,570)
Net financing and investment income	19	22,172,687	20,391,936
Fee from banking services, income	20	8,767,272	6,648,336
Fee from banking services, expenses	20	(4,143,132)	(2,715,229)
Fee from banking services, net	20	4,624,140	3,933,107
Exchange income, net		1,162,162	787,898
Other operating income, net	21	616,030	603,457
Total operating income		28,575,019	25,716,398
Expenses			
Salaries and employees' related benefits	22	3,395,191	3,132,346
Depreciation, amortisation and impairment	9,10,11	1,330,119	1,141,932
Other general and administrative expenses	23	2,725,760	2,652,244
Total operating expenses before credit impairment charge		7,451,070	6,926,522
Impairment charge for financing and other financial assets, net	7	2,001,259	2,345,086
Total operating expenses		9,452,329	9,271,608
Net income for the year before Zakat		19,122,690	16,444,790
Zakat Expense	41	(1,971,865)	(1,698,579)
Net income for the year		17,150,825	14,746,211
Basic and diluted earnings per share (SAR)	24	4.24	3.69

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

Chairman

Chief Executive Officer

Chief Financial Officer

consolidated statement of comprehensive income

For the year ended 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Net income for the year		**17,150,825**	14,746,211
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income in subsequent periods:			
– Net change in fair value (FVOCI equity investment)	17	**(573,838)**	399,339
– Re-measurement of employees' end of service benefits liabilities ("ESOB")	17,29	**231,824**	42,055
Items that may be reclassified to the consolidated statement of income in subsequent periods:			
– Exchange difference on translating foreign operations	17	**(38,229)**	(20,653)
– Net change in fair value (FVOCI Sukuk investment)	17	**(131,863)**	–
– Share in FVOCI from associate	17	**1,316**	24,044
Total other comprehensive income (loss) for the period recognised in shareholders' equity		**(510,790)**	444,785
Total comprehensive income for the period		**16,640,035**	15,190,996

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

Chairman

Chief Executive Officer

Chief Financial Officer

consolidated statement of changes in shareholders' equity

For the year ended 31 December 2022	Notes	Share capital (SAR '000)	Statutory reserve (SAR '000)
Balance at 31 December 2021		**25,000,000**	**25,000,000**
Net income for the year		–	–
Net change in fair value of FVOCI Equity investments	17	–	–
Net change in fair value of FVOCI Sukuk investments	17	–	–
Share in FVOCI from associate	17	–	–
Actuarial gain on employees' end of service benefits ("EOSB")		–	–
Exchange difference on translation of foreign operations	17	–	–
Net other comprehensive income (loss) recognised in shareholders' equity		–	–
Total comprehensive income for the year		–	–
Disposal of FVOCI equity instruments		–	–
Tier I Sukuk issued	27	–	–
Tier I Sukuk costs		–	–
Bonus shares Issued	26	**15,000,000**	–
Transfer to statutory reserve		–	**4,287,706**
Proposed dividends for the year 2022	25	–	–
Balance at 31 December 2022		**40,000,000**	**29,287,706**

consolidated statement of changes in shareholders' equity

Other reserves (SAR '000)	Retained earnings (SAR '000)	Proposed gross dividends (SAR '000)	Total equity attributable to shareholders of the Bank (SAR '000)	Tier I Sukuk (SAR '000)	Total equity (SAR '000)
282,107	16,999,457	–	67,281,564	–	67,281,564
–	17,150,825	–	17,150,825	–	17,150,825
(573,838)	–	–	(573,838)	–	(573,838)
(131,863)	–	–	(131,863)	–	(131,863)
1,316	–	–	1,316	–	1,316
231,824	–	–	231,824	–	231,824
(38,229)	–	–	(38,229)	–	(38,229)
(510,790)	–	–	(510,790)	–	(510,790)
(510,790)	17,150,825	–	16,640,035	–	16,640,035
(198,886)	198,886	–	–	–	–
–	–	–	–	16,500,000	16,500,000
–	(196,564)	–	(196,564)	–	(196,564)
–	(15,000,000)	–	–	–	–
–	(4,287,706)	–	–	–	–
–	(5,000,000)	5,000,000	–	–	–
(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035

consolidated statement of changes in shareholders' equity

For the year ended 31 December 2022	Notes	Share capital (SAR '000)	Statutory reserve (SAR '000)
For the year ended 31 December 2021			
Balance at 31 December 2020		25,000,000	25,000,000
Net income for the year		–	–
Net change in fair value of FVOCI investments		–	–
Share in FVOCI from associate		–	–
Actuarial gain on employees' end of service benefits ("EOSB")		–	–
Exchange difference on translation of foreign operations		–	–
Net other comprehensive income recognised in shareholders' equity		–	–
Total comprehensive income for the year		–	–
Dividend for annual year 2020	25	–	–
Interim Dividend for the first half of 2021	25	–	–
Balance at 31 December 2021		25,000,000	25,000,000

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

Chairman

Chief Executive Officer

Chief Financial Officer

Other reserves (SAR '000)	Retained earnings (SAR '000)	Proposed gross dividends (SAR '000)	Total equity attributable to shareholders of the Bank (SAR '000)	Tier I Sukuk (SAR '000)	Total equity (SAR '000)
(162,678)	8,253,246	–	58,090,568	–	58,090,568
–	14,746,211	–	14,746,211	–	14,746,211
399,339	–	–	399,339	–	399,339
24,044	–	–	24,044	–	24,044
42,055	–	–	42,055	–	42,055
(20,653)	–	–	(20,653)	–	(20,653)
444,785	–	–	444,785	–	444,785
444,785	14,746,211	–	15,190,996	–	15,190,996
–	(2,500,000)	–	(2,500,000)	–	(2,500,000)
–	(3,500,000)	–	(3,500,000)	–	(3,500,000)
282,107	16,999,457	–	67,281,564	–	67,281,564

consolidated statement of cash flows

For the year ended 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Cash Flows from operating activities			
Income before Zakat		**19,122,690**	16,444,790
Adjustments to reconcile net income to net cash from operating activities:			
Loss on investments held at fair value through statement of income (FVSI)	21	**208,766**	37,897
Depreciation on property, equipment and right of use assets	9	**1,132,137**	1,064,276
Depreciation on investment properties	11	**47,669**	25,652
Impairment/amortisation of Goodwill and other intangibles	10	**150,313**	52,004
Gain on sale of property and equipment, net	21	**(1,275)**	(47,511)
Impairment charge for financing and other financial assets, net	7	**2,001,259**	2,345,086
Share in profit of associates	21	**(13,812)**	(32,030)
Dividend income	21	**(128,097)**	(169,602)
Accretion/amortisation relating to debt investments, Net		**37,146**	71,457
Profit charge against lease obligations		**40,118**	37,357
Fair value adjustment to derivatives		**15,054**	(32,382)
(Increase)/decrease in operating assets			
Statutory deposit with SAMA and other central banks		**(4,115,705)**	(5,343,990)
Due from banks and other financial institutions		**5,789,046**	4,345,399
Financing		**(117,508,716)**	(139,463,642)
FVIS investments		**(4,527)**	3,127,037
Other assets, net		**(1,067,465)**	(2,569,607)
Decrease in operating liabilities			
Due to banks and other financial institutions		**52,886,977**	7,188,079
Customers' deposits		**52,852,475**	129,441,210
Other liabilities		**(240,487)**	9,457,562
Profit payment against lease obligations		**(40,118)**	(37,357)
Net cash from operating activities before Zakat		**11,163,448**	25,941,685
Zakat paid	41	**(2,560,423)**	(2,086,251)
Net cash generated from operating activities		**8,603,025**	23,855,434

consolidated statement of cash flows

For the year ended 31 December	Notes	2022 (SAR '000)	2021 (SAR '000)
Cash flows from investing activities			
Purchase of property and equipment	9	**(2,445,713)**	(1,904,297)
Proceeds from disposal of property and equipment		**123,757**	886,701
Goodwill and other intangibles		**(425,867)**	(482,188)
Purchase of FVOCI investments		**(154,524)**	(1,828,494)
Proceeds from disposal of FVOCI investments		**4,670,175**	178,363
Proceeds from maturities of investments held at amortised cost		**10,112,274**	7,852,423
Purchase of investments held at amortised cost		**(32,668,305)**	(33,076,112)
Investment in associates		**(487,000)**	–
Subsidiary acquisition net of cash	42	**(539,265)**	–
Dividend income	21	**128,097**	169,602
Net cash used in investing activities		**(21,686,371)**	(28,204,002)
Cash flows from financing activities			
Dividends paid	25	**–**	(6,000,000)
Tier I Sukuk costs		**(196,564)**	–
Tier I Sukuk issuance		**16,500,000**	–
Payment against lease obligation		**(267,165)**	(238,546)
Net cash generated from/(used in) financing activities		**16,036,271**	(6,238,546)
Net increase/(decrease) in cash and cash equivalents		**2,952,925**	(10,587,114)
Cash and cash equivalents at the beginning of the period	28	**22,240,247**	32,827,361
Cash and cash equivalents at end of the period	28	**25,193,172**	22,240,247

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

Chairman

Chief Executive Officer

Chief Financial Officer

notes to the consolidated financial statements

1 General

(a) Incorporation and operation

Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company, (the "Bank"), was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 1407H (corresponding to 23 June 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Bank
8467 King Fahd Road - Al Muruj Dist.
Unit No 1
Riyadh 12263 - 2743
Kingdom of Saudi Arabia

The objectives of the Bank are to carry out banking and investment activities in accordance with its Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia through 557 branches (2021: 574) including the branches outside the Kingdom and 19,964 employees (2021: 15,078 employees). The Bank has established certain subsidiary companies (together with the Bank hereinafter referred to as the "Group") in which it owns all of their shares as set out below [Also see Note 2 (b)]:

Name of subsidiaries	Shareholding 2022 %	Shareholding 2021 %	Description
Al Rajhi Capital Company – KSA	**100**	100	A Saudi Closed Joint Stock Company authorised by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging, and Custody.
Management and Development for Human Resources Company – KSA	**100**	100	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.
Al Rajhi Bank – Kuwait	**100**	100	A foreign branch registered with the Central Bank of Kuwait.
Al Rajhi Bank – Jordan	**100**	100	A foreign branch operating in Hashemite Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Shari'a rules and under the applicable banking law.

Name of subsidiaries	Shareholding 2022 %	Shareholding 2021 %	Description
Tuder Real Estate Company – KSA	**100**	100	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.
Al Rajhi Corporation Limited – Malaysia	**100**	100	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Emkan Finance Company – KSA	**100**	100	A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.
Tawtheeq Company – KSA	**100**	100	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organise contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd – Cyman Islands	**100**	100	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
International Digital Solutions Co. (Neoleap) – KSA	**100**	100	A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.
Ejada System Limited Co. – KSA	**100**	-	A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, and system analysis and senior management consultation services.

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

(b) Shari'a Authority

As a commitment from the Bank for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Bank has established a Shari'a Authority to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority has reviewed several of the Bank's activities and issued the required decisions thereon.

The Bank is regulated by the Saudi Central Bank (SAMA).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared

- in compliance with 'International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and
- the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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

(b) Basis of measurement and preparation

The consolidated financial statements are prepared under the historical cost convention except for the following items in the consolidated statement of financial position:

- Derivatives are measured at fair value;
- Financial instruments designated as Fair Value through Profit or Loss ("FVIS") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Cash settled share-based payments are measured at fair value; and
- Defined benefit obligations are recognised at the present value of future obligations using the Projected Unit Credit Method.
- Financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 30-2.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

(d) 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.

(e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

Judgement of equity vs liability for Tier I Sukuk

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

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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Significant areas where management has used estimates, assumptions or exercised judgments is as follows:

i. Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all 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 such as Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default rate ("LGD"), that are considered accounting judgements and estimates include:

1. The selection of an estimation technique or modelling that are considered accounting Judgements:
   - The Group's internal credit grading model, which assigns Probability 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 formulas and the choice of inputs,
- Determination of associations between macroeconomic scenarios and, economic inputs and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.
   - Fair value measurement (Note 33)
   - Credit risk management (Note 31.1.a)
   - Credit risk grades (Note 31.1.a.ii)
   - Classification of investments at amortised cost (Note 3.e. 1)
   - Determination of control over investees (Note 2.ii)
   - Depreciation and amortisation (Note 3.j ,9,10 and 11)
   - Salaries and employees related benefits (Note 22)
   - Government grant (Note 3.c)

ii. Determination of control over investees

The control indicators are subject to management's judgements, and are set out in (Note 3.b).

Investment funds management:

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 profits and expected management fees) and the investor's rights to remove the Fund Manager the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

iii. Determination of lease terms

In determining the lease terms for the purposes of calculation of lease liabilities and Right of Use ("ROU") leased assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended or not terminated. The Group also reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

3 Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) 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 31 December 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2022 replacing, amending, or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

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

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions (Extension of the practical expedient)	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the periods in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021.
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, 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".	Annual periods beginning on or after 1 January 2022.

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

(b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as identified in (note 1). The financial statements of 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 on which control commences until the date that control ceases.

The control indicators set out below are subject to management's judgements that can have a significant effect in the case of the Group's interests in securitisation vehicles and investments funds.

Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than majority of the voting or similar rights of an investee entity, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate as would be required if the Group had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, income, and expenses are eliminated in full in preparing these consolidated financial statements.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Business combination

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, "Business combinations", a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Bank elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition are expenses as incurred. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised directly in the consolidated statement of income.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IFRS 9, "Financial Instruments"; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

(c) Government grants

The Group recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Group 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 profit 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 – Accounting for Government grant. The government grant is recognised in the statement of income on a systematic basis over the period in which the Group 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 Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

(d) Investment in an associate

An associate is an entity over which the Group exercises significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint arrangement.

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 associates, less any impairment in the value of individual investments. The Group's share of its associates' post-acquisition profits or losses are recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in OCI included in the shareholders' equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distribution received from an investee reduces the carrying amount of the investment.

The previously recognised impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of the investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount. On derecognition the difference between the carrying amount of investment in the associate and the fair value of the consideration received is recognised in the consolidated statement of income.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on an investment in an associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the share in earnings of associates in the consolidated statement of income.

Unrealised gains or losses on transactions are eliminated to the extent of the Group's interest in the investee. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(e) Financial assets and financial liabilities

(1) Classification of financial assets

On initial recognition, a financial asset is classified and measured at: Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Statement of Income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Financial Asset at amortised cost

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 profit on the principal amount outstanding.

Financial Asset at FVOCI

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 profit 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. Profit income and foreign exchange gains and losses are recognised in consolidated statement of income.

An Equity Instrument; 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 instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVIS

All other financial assets are classified as measured at FVIS.

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

Reclassification of financial assets

The Group reclassifies the financial assets between FVIS, FVOCI and amortised cost if and only if under rare circumstances and if its business model objective for its financial assets changes so its previous business model assessment would no longer apply.

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

Business model assessment

The Group makes an assessment of 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 profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 profit (SPPP)

For the purposes of this assessment, "principal" is the fair value of the financial asset on initial recognition. "Profit" is the consideration for the time value of money, the credit and other basic financing risk associated with the principal amount outstanding during a particular period and other basic financing 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 profit, 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 profit rates.

Designation at fair value through statement of income

At initial recognition, the Bank has designated certain financial assets at FVIS.

The Group offers profit based products including Mutajara, installment sales and Murabaha to its customers in compliance with Shari'a rules. The Group classifies its Principal financing and Investment as follows:

Financing: These financings represent facilities granted to customers. These financings mainly constitute four broad categories i.e. Mutajara, Installment sales, Murabaha and credit cards. The Group classifies these financings at amortised cost as they we held to collect contractual cash flow and pass SPPP test.

Due from banks and other financial institutions: These consists of placements with financial Institutions (FIs). The Group classifies these balances due from banks and other financial institutions at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Murabaha with SAMA): These investments consists of placements with the Saudi Central Bank (SAMA). The Group classifies these investments at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Sukuk): These investments consists of Investment in various Sukuk. The Group classifies these investments at amortised cost except for those Sukuk which fails SPPP criterion, which are classified at FVIS and FVOCI.

Equity Investments: These are the strategic equity investments which the Group does not expect to sell, for which Group has made an irrevocable election on the date of initial recognition to present the fair value changes in other comprehensive income.

Investments (Mutual Funds): The investments consist of Investments in various Mutual Funds. The Group classifies these investment at FVIS as these investments fail SPPP criterion.

(2) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Profit Rate "EPR".

All amounts due to banks and other financial institutions and customer deposits are initially recognised at fair value less transaction costs. Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss.

(3) Derecognition

Derecognition of financial assets

The Group derecognises 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 (debt instrument), the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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 recognised in OCI, is recognised in consolidated 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 recognise 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.

Any cumulative gain/loss recognised in OCI, among other reserve, in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognised in OCI in respect of such equity investment securities are transferred to retained earnings on disposal. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

The Bank securitises various financing and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Profit in the securitised financial assets are generally retained in the form of senior or subordinated tranches, profit-only strips or other residual profit (retained profit). Retained profit are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(4) Modifications of financial assets and financial liabilities

Modified financial assets

If the terms of a financial asset are modified, the Group evaluates whether the contractual 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 derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the contractual 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 recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. For floating-rate financial assets, the original effective profit rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Modified financial liabilities

The Group derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in consolidated statement of income.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in consolidated statement of income.

(5) Impairment

Impairment of financial assets

The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and financing income is subsequently recognised based on a credit-adjusted ("EPR"). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

- Due from banks and other financial institution;
- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Financing commitments issued.

No impairment loss is recognised on equity at FVOCI investments.

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 Sukuk to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial assets, for which 12-month ECLs are recognised, are referred to as "Stage1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as "Stage 2 financial assets". Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial assets for which the lifetime ECLs are recognised and that are credit-impaired are referred to as "Stage 3 financial assets".

Measurement of ECL

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

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

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

- financial assets other than POCI financial assets and lease receivables: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- Lease receivables: the discount rate used in measuring lease receivables.

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

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default ("PD"),
- Loss given default ("LGD"), and
- Exposure at default ("EAD").

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Group categorises its financial assets into the following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets;
- Stage 2: Underperforming assets; and
- Stage 3: Credit-impaired assets.

The three stage categories of financial assets are more elaborated in (Note 31-1-a.v)

To evaluate a range of possible outcomes, the Group formulates various scenarios. For each scenario, the Group derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

For how financial assets and ECLs are allocated among the three credit stages, refer to Note (5) for due from banks and financial institutions, (Note 6) for investments and (Note 7) for financing facilities.

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 customer, then an assessment is made of whether the financial asset should be derecognised and then ECLs are measured as follows:

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

Credit-impaired financial assets

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

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

Financing facility that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired. 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 yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of financing being restructured, resulting in holders suffering losses through voluntary or mandatory financing 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 intents, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The profit 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. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest. 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.

Presentation of allowance for ECL in the consolidated statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing 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

- financing commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses, net" in the statement of income.

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.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or market securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

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

(6) Financial guarantees and financing commitments, letters of credit

Financial guarantees are contracts that require the Bank 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. financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

The premium received is recognised in the income statement in net fees and yield income on a straight line basis over the life of the guarantee.

Financing commitments and letter of credits' are firm commitments under which, over the duration of the commitments, the Bank is required to provide credit under pre-specified terms and conditions Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and financing commitments, where the financing agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

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

The Bank has issued no financing commitments that are measured at FVIS. For other financing facility commitments the Bank recognises loss allowance.

(f) Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts and profit rate swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments 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. In the ordinary course of business, the Group utilises the following derivative financial instruments for trading purposes:

i. Derivatives held for trading

(1) Profit rate swaps

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

(2) Foreign exchange forwards

Forwards are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currencies are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

ii. Hedge Accounting

As indicated in the accounting policies below, the Group elected as a policy under IFRS 9.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

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 assets or liabilities in case of portfolio hedging), 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 inception of the hedge, the risk management objective and strategy are 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 on-going basis.

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

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the 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 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 item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the statement of income as a reclassification adjustment the amount that is not to be recognised.

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. When the hedging instrument is expired or 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 then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

iii. Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors and 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 established the level of profit rate risk by setting limits on profit rate gaps for stipulated periods. Asset and liability profit rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce profit rate gap within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging, other than portfolio hedges for profit rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses profit rate swaps and profit rate futures to hedge against the profit rate risk arising from specifically identified fixed profit-rate exposures.

The Bank also uses profit rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Possible sources of ineffectiveness are as follows:

- difference between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedge item and hedge instrument, as cash collateralised profit rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralised profit rate swaps but not the hedge items; and
- the effects of the forthcoming reforms to USD LIBOR, because these might take effect at a different time and have a different impact on the hedged item (the fixed-rate mortgages) and the hedging instrument (the derivatives used to hedge those mortgages).

iv. Embedded derivatives

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

(a) the host contract is not an asset in the scope of IFRS 9;

(b) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and

(c) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value. with all changes in fair value recognised in statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Revenue recognition

The following specific recognition criteria must be met before revenue is recognised.

Income from Mutajara, Murabaha; investments held at amortised cost, Installment sale and credit cards services is recognised based on the effective profit rate basis on the outstanding balances. The effective profit rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective yield, the Group estimates future cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees from banking services are recognised when the service has been provided.

Financing commitment fees; that are likely to be drawn down and other facility related fees are deferred (above certain threshold) and, together with the related direct cost, are recognised as an adjustment to the effective profit rate on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognised on a straight-line basis over the commitment period.

Fees from banking services; that are integral to the effective profit rate on a financial asset or financial liability are included in the effective.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, over the period when the service is being provided i.e. related performance obligation is satisfied.

Fees received for asset management and brokerage activities; wealth Management, financial planning, custody services, capital market trading brokerage 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 i.e. related performance obligation is satisfied.

Asset management fees related to investment funds are recognised over the period the service is being provided. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised. Wealth management and custody services fees that are continuously recognised over a period of time.

Dividend income; is recognised when the right to receive income is established which is generally when the shareholders approve the dividend. Dividends are reflected as a component of net trading income, net income from FVIS financial instruments or other operating income based on the underlying classification of the equity instrument.

Foreign currency exchange income/loss; is recognised when earned/incurred.

Net trading income; results from trading activities and include all realised and unrealised gains and losses from changes in fair value and related gross investment income or expense, dividends for financial assets and financial liabilities held for trading and foreign exchange differences.

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 payment service system, share trading services, remittance business, SADAD and Mudaraba (i.e. subscription, management and performance fees), should be recognised at the point when services are rendered i.e. when performance obligation is satisfied.

(h) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due financing. Such real estate are considered as assets held for sale and are initially stated at the lower of net realisable value of due financing and 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.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation 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 in the statement of income. Gains or losses on disposal are recognised in the statement of income.

(i) Investment properties

Investment properties are held for long-term rental yield and are not occupied by the Group. They are carried at cost, and depreciation is charged to the consolidated statement of income. The cost of investment properties is amortised using the straight-line method over its estimated useful life which ranges between 30-35 years.

(j) Property and equipment, net

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful life of the assets, as follows:

Leasehold land improvements over the lesser of the period of the lease or the useful life

Buildings – 33 years

Leasehold building improvements – over the lease period or 3 years, whichever is shorter

Equipment and furniture – 3 to 10 years

Right of use assets – over the lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of income.

Other expenditures are capitalised only when it is probable that the future economic benefit of the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed when incurred.

Goodwill and other intangibles

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Bank's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquire Goodwill on acquisitions of subsidiaries is included under 'intangible assets. Goodwill on acquisitions of associates and joint ventures is included under 'investments in associates and joint ventures.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Goodwill is tested for impairment annually as well as whenever a trigger event has been observed by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of the goodwill, including attributable goodwill, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Impairment losses relating to goodwill cannot be reversed in future periods.

(k) Accounting for Ijarah (Leases)

Right of use asset/lease liabilities

On initial recognition, at inception of the contract, 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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of use assets

The Group applies a cost model, and measures the right of use of an asset at cost;

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

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the profit 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, the Group measures the lease liability by:

1. Increasing the carrying amount to reflect profit on the lease liability; and
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 profit method. It is remeasured 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income 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, including IT equipment The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term."

(l) Customers' deposits

Customer deposits are financial liabilities that are initially recognised at fair value less transaction cost, being the fair value of the consideration received, and are subsequently measured at amortised cost.

(m) Repurchase agreements and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repurchase agreements) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership, and are measured in accordance with related accounting policies for investments. The transactions are treated as a collateralised financing and the counter party liability for amounts received under these agreements is included in due to banks and other financial institutions, as appropriate. The difference between the sale and repurchase price is treated as financing and investment expense and recognised over the life of the repurchase agreement on an effective yield basis.

Underlying assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the underlying assets. Amounts paid under these agreements are included in cash and balances with SAMA. The difference between the purchase and resale price is treated as Income from investments and financing and recognised over the life of the reverse repurchase agreement on an effective profit basis.

(n) Provisions

Provisions are recognised when the Group has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amounts of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per the Law.

(o) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 'cash and cash equivalents' include notes and coins on hand, balances with SAMA (excluding statutory deposits) and due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position

(p) Special commission excluded from the consolidated statement of income

In accordance with the Shari'a Authority's resolutions, special commission income (non-Shari'a compliant income) received by the Group is excluded from the determination of financing and investment income of the Group, and is transferred to other liabilities in the consolidated statement of financial position and is subsequently paid-off to charity institutions.

(q) 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 or profit-sharing plans if Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) End of service benefits for employees

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.

Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognised in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognises the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

  The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

(s) Share-based payments

The Group's founders had established a share-based compensation plan under which the entity receives services from the eligible employees as consideration for equity instruments of the Group which are granted to the employees.

(t) Mudaraba funds

The Group carries out Mudaraba transactions on behalf of its customers, and are treated by the Group as being restricted investments. These are included as off balance sheet items. The Group's share of profits from managing such funds is included in the Group's consolidated statement of income.

(u) Foreign Currencies

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

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Group's functional currency. Each subsidiary determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are translated into SAR at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the date of the consolidated statement of financial position.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective profit rate and payments during the year and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Realised and unrealised gains or losses on exchange are credited or charged to the consolidated statement of comprehensive income.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised in OCI. The monetary assets and liabilities of foreign subsidiaries are translated into SAR at rates of exchange prevailing at the date of the consolidated statement of financial position. The statements of income of foreign subsidiaries are translated at the weighted average exchange rates for the year.

(v) Day 1 profit or loss

Where a transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated statement of income when the inputs become observable, or when the instrument is derecognised.

In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input), nor based on a valuation technique that uses only data from observable markets. In such cases, the entity shall disclose by class of financial asset or financial liability:

- its accounting policy for recognising in statement of income the difference between the fair value at initial recognition, and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability.
- The aggregate difference yet to be recognised in statement of income at the beginning and end of the period and a reconciliation of changes in balance of this difference.

(w) Trade date

All regular way purchases and sales of financial assets are recognised and derecognised on the trade date (i.e. the date on which the Group commits to purchase or sell the assets). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through statement of income) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(x) Offsetting financial instruments

Financial assets and financial liabilities are offset and are reported net in the consolidated statement of financial position when there is a legally 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 any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(y) Customer loyalty programmes

The Group offers customer loyalty programmes referred to as reward points, which allows customers to earn points that can be redeemed through certain partner outlets. The Group allocates a portion of the transaction price to the reward points awarded to members, based on estimates of costs of future redemptions. The amount of expense allocated to reward points is charged to the consolidated statement of income with a corresponding liability recognised in other liabilities. The cumulative amount of the liability related to unredeemed reward points is adjusted over time based on actual redemption experience and current and expected trends with respect to future redemptions.

(z) Zakat and taxes

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 consolidated statement of income. ZATCA has prescribed a new methodology for calculation on Zakat of financing activities effective January 1, 2019, where previously the Zakat was treated in the consolidated statement of changes in equity. Due accruals have been made for the obligation as at 31 December 2020. Zakat is not accounted for as an income tax and as such no deferred tax assets and liabilities are calculated relating to Zakat.

- Value Added tax ("VAT")

The Group is a taxpayer for value added tax as per the Saudi law and its responsibility to collect VAT Output from the customers for qualifying services provided, and makes VAT Input payments to its vendors for qualifying payments. On a monthly basis, the 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 capitalised and either depreciated or amortised as part of the capital cost.

- Withholding tax

Withholding tax is subject to any payment to non-resident vendors for services rendered and goods purchased with certain criteria and rate according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

(aa) Investment management services

The Group provides investment management services to its customers, through its subsidiary which include management of certain mutual funds. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the Group's consolidated financial statements. The Group's share of these funds is included under FVIS investments. Fees earned are disclosed in the consolidated statement of income.

(bb) Bank's products definition

The Group provides its customers with banking products based on interest avoidance concept and in accordance with Shari'a regulations. The following is a description of some of the financing products:

Mutajara financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, accordingly the client becomes debtor to the Group with the sale amount and for the period agreed in the contract.

Installment sales financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price. Accordingly the client becomes a debtor to the Group with the sale amount to be paid through installments as agreed in the contract.

Murabaha financing:

It is a financing agreement whereby the Group purchases a commodity or asset and sells it to the client with a price representing the purchase price plus a profit known and agreed by the client which means that the client is aware of the cost and profit separately.

4 Cash and balances with Central Banks

Cash and balances with Saudi Central Bank ("SAMA") and other central banks comprise of the following:

	2022 (SAR '000)	2021 (SAR '000)
Cash in hand	**6,672,064**	5,445,994
Statutory deposit	**32,919,235**	28,803,530
Balances with central banks (current accounts)	**408,197**	314,005
Mutajara with SAMA	**2,053,000**	5,799,920
Total	**42,052,496**	40,363,449

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other central banks at stipulated percentages of its customers' Demand deposits and call accounts, customers' time investment and other customers' accounts calculated at the end of each Gregorian month.

The above statutory deposits are not available to finance the Group's day-to-day operations and therefore are not considered as part of cash and cash equivalents (Note 28) when preparing the consolidated statement of cash flows.

5 Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

	2022 (SAR '000)	2021 (SAR '000)
Current accounts	**4,765,889**	2,056,541
Mutajara	**20,894,850**	24,013,126
Less: Allowance for expect credit losses	**(4,810)**	(4,275)
Total	**25,655,929**	26,065,392

2022	Gross carrying amount (SAR '000)	Allowance for expected credit loss (SAR '000)	Net carrying amount (SAR '000)
Investment grade (credit rating AAA to BBB)	**25,104,205**	**(4,810)**	**25,099,395**
Non-investment grade (credit rating BB+ to B-)	**478,459**	**–**	**478,459**
Unrated	**78,075**	**–**	**78,075**
Total	**25,660,739**	**(4,810)**	**25,655,929**

2021	Gross carrying amount (SAR '000)	Allowance for expected credit loss (SAR '000)	Net carrying amount (SAR '000)
Investment grade (credit rating AAA to BBB)	25,575,691	(4,275)	25,571,416
Non-investment grade (credit rating BB+ to B-)	462,716	–	462,716
Unrated	31,260	–	31,260
Total	26,069,667	(4,275)	26,065,392

The credit quality of due from banks and other financial institutions is managed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired and are classified in stage 1. There were no movements in staging during year.

6 Investments, net

(a) Investments comprise the following:

	2022 (SAR '000)	2021 (SAR '000)
Investments held at amortised cost		
Murabaha with Saudi Government and SAMA	**22,696,693**	22,611,987
Sukuk	**70,608,347**	48,102,603
Structured products	**1,033,894**	1,000,000
Less: Impairment (Stage 1)	**(43,294)**	(31,824)
Total investments held at amortised cost	**94,295,640**	71,682,766
Investments held as FVIS		
Mutual funds	**2,214,056**	2,650,605
Structured products	**737,551**	788,765
Sukuk	**159,591**	32,680
Equity investments	**156,613**	–
Total FVIS investments	**3,267,811**	3,472,050
FVOCI investments		
Equity investments	**358,744**	5,148,946
Structured Products	**111,438**	–
Sukuk*	**3,292,010**	3,834,641
Less: Impairment (Stage 1)	**(218)**	(261)
Total FVOCI investments	**3,761,974**	8,983,326
Investments, net	**101,325,425**	84,138,142

The Bank, under repurchase agreements, pledges with other banks Sukuk securities that include government Sukuk. The fair values of those Sukuk pledged as collateral with financial institutions as at 31 December 2022 is SAR 53,956 Mn. and the related balances of the repurchase agreements pledge is SAR 57,119 Mn.

*The Group holds SAR 2,828 Mn. (31 December 2021: 2,339 Mn.) million in Tier I Sukuk out of the total FVOCI Sukuk.

The designated FVIS investments included above are designated upon initial recognition as FVIS and are in accordance with the documented risk management strategy of the Group.

All investments held at amortised cost are neither past due nor impaired as of 31 December 2022 and 2021, and are classified in stage 1. There were no movements in staging during year.

Equity investment securities designated as at FVOCI

The Group has designated investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

(b) The analysis of the composition of investments as of 31 December is as follows:

2022	Quoted (SAR '000)	Unquoted (SAR '000)	Total (SAR '000)
Murabaha with Saudi Government and SAMA	–	22,696,693	22,696,693
Structured products	–	1,882,883	1,882,883
Sukuk	64,708,089	9,308,347	74,016,436
Equities	491,018	24,339	515,357
Mutual Funds	1,879,549	334,507	2,214,056
Total	67,078,656	34,246,769	101,325,425

2021	Quoted (SAR '000)	Unquoted (SAR '000)	Total (SAR '000)
Murabaha with Saudi Government and SAMA	–	22,611,987	22,611,987
Structured products	–	1,788,765	1,788,765
Sukuk	45,951,396	5,986,443	51,937,839
Equities	5,124,587	24,359	5,148,946
Mutual Funds	2,415,228	235,377	2,650,605
Total	53,491,211	30,646,931	84,138,142

(c) The analysis of unrecognised gains and losses and fair values of investments as of 31 December are as follows:

2022	Net carrying value (SAR '000)	Unrecognised gains (SAR '000)	Unrecognised losses (SAR '000)	Fair value (SAR '000)
Murabaha with Saudi Government and SAMA	**22,696,693**	**598,857**	**–**	**23,295,550**
Sukuk	**74,016,436**	**–**	**(5,630,717)**	**68,385,719**
Structured products	**1,882,883**	**–**	**–**	**1,882,883**
Equities	**515,357**	**–**	**–**	**515,357**
Mutual funds	**2,214,056**	**–**	**–**	**2,214,056**
Total	**101,325,425**	**598,857**	**(5,630,717)**	**96,293,565**

2021	Net carrying value (SAR '000)	Unrecognised gains (SAR '000)	Unrecognised losses (SAR '000)	Fair value (SAR '000)
Murabaha with Saudi Government and SAMA	22,611,987	289,012	–	22,900,999
Sukuk	51,937,839	198,991	–	52,136,830
Structured products	1,788,765	38,043	–	1,826,808
Equities	5,148,946	–	–	5,148,946
Mutual funds	2,650,605	–	–	2,650,605
Total	84,138,142	526,046	–	84,664,188

(d) Credit quality of investments

	2022 (SAR '000)	2021 (SAR '000)
Murabaha with Saudi Government and SAMA	**22,696,693**	22,611,987
Sukuk – investment grade	**67,489,768**	48,079,053
Structured products – investment grade	**1,882,883**	1,788,765
Sukuk – non-investment grade	**5,781,404**	2,268,569
Sukuk unrated	**745,265**	1,416,794
Total	**98,596,013**	76,165,168

Investment grade includes those investments having credit exposure equivalent to rating of AAA to BBB-. The unrated category only comprise of unquoted Sukuk. Fitch has assigned A rating to KSA as a country as at 31 December 2022 (31 December 2021: A).

(e) The following is an analysis of investments according to counterparties as at 31 December:

	2022 (SAR '000)	2021 (SAR '000)
Government and quasi government	**96,705,458**	71,519,231
Banks and other financial institutions	**1,931,036**	1,821,445
Companies	**518,387**	8,178,946
Mutual funds	**2,214,056**	2,650,605
Less: Impairment (Stage 1)	**(43,512)**	(32,085)
Total	**101,325,425**	84,138,142

(f) The domestic and international allocation of the Group's investments are summarised as follows:

31 December 2022	Domestic (SAR '000)	International (SAR '000)	Total (SAR '000)
Investments held at amortised cost:			
Fixed-rate Sukuk	58,884,434	6,985,606	65,870,040
Floating-rate Sukuk	27,435,000	–	27,435,000
Structured products	500,000	533,894	1,033,894
Less: Impairment (Stage 1)	(42,321)	(973)	(43,294)
Total investments held at amortised cost	86,777,113	7,518,527	94,295,640
Investments held as FVIS			
Mutual funds	2,214,056	–	2,214,056
Structured products	462,099	275,452	737,551
Fixed-rate Sukuk	159,591	–	159,591
Equity investments	156,613	–	156,613
Total FVIS investments	2,992,359	275,452	3,267,811
Investments held as FVOCI			
Fixed-rate Sukuk	1,262,771	1,797,239	3,060,010
Floating-rate Sukuk	232,000	–	232,000
Structured products	–	111,438	111,438
Equity investments	337,837	20,907	358,744
Less: Impairment (Stage 1)	–	(218)	(218)
Total FVOCI investments	1,832,608	1,929,366	3,761,974
Investments, net	91,602,080	9,723,345	101,325,425

31 December 2021	Domestic (SAR '000)	International (SAR '000)	Total (SAR '000)
Investments held at amortised cost:			
Fixed-rate Sukuk	40,949,233	4,910,357	45,859,590
Floating-rate Sukuk	24,855,000	–	24,855,000
Structured products	500,000	500,000	1,000,000
Less: Impairment (Stage 1)	(31,824)	–	(31,824)
Total investments held at amortised cost	66,272,409	5,410,357	71,682,766
Investments held as FVIS			
Mutual funds	2,650,600	–	2,650,600
Structured products	500,000	288,770	788,770
Fixed-rate Sukuk	32,680	–	32,680
Total FVIS investments	3,183,280	288,770	3,472,050
Investments held as FVOCI			
Fixed-rate Sukuk	2,128,346	1,532,873	3,661,219
Equity investments	5,128,039	194,329	5,322,368
Less: Impairment (Stage 1)	–	(261)	(261)
Total FVOCI investments	7,256,385	1,726,941	8,983,326
Investments, net	76,712,074	7,426,068	84,138,142

7 Financing, net

(a) Net financing held at amortised cost:

2022	Performing (SAR '000)	Non-performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Mutajara	**119,146,700**	**674,135**	**(3,214,387)**	**116,606,448**
Installment sale	**427,887,058**	**2,350,467**	**(4,616,095)**	**425,621,430**
Murabaha	**21,264,015**	**32,063**	**(56,524)**	**21,239,554**
Credit cards	**4,983,282**	**28,052**	**(140,652)**	**4,870,682**
Total	**573,281,055**	**3,084,717**	**(8,027,658)**	**568,338,114**

2021	Performing (SAR '000)	Non-performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Mutajara	68,203,350	1,469,013	(3,959,756)	65,712,607
Installment sale	367,947,310	1,480,870	(4,978,513)	364,449,667
Murabaha	19,175,148	36,520	(61,718)	19,149,950
Credit cards	3,692,903	23,697	(198,167)	3,518,433
Total	459,018,711	3,010,100	(9,198,154)	452,830,657

(b) The net financing by location, inside and outside the Kingdom of Saudi Arabia, as of 31 December is as follows:

2022	Mutajara (SAR '000)	Installment sale (SAR '000)	Murabaha (SAR '000)	Credit cards (SAR '000)	Total (SAR '000)
Inside the Kingdom of Saudi Arabia	118,343,275	425,184,304	14,938,663	4,993,000	563,459,242
Outside the Kingdom of Saudi Arabia	1,477,560	5,053,221	6,357,415	18,334	12,906,530
Gross financing	119,820,835	430,237,525	21,296,078	5,011,334	576,365,772
Allowance for impairment	(3,214,387)	(4,616,095)	(56,524)	(140,652)	(8,027,658)
Net financing	116,606,448	425,621,430	21,239,554	4,870,682	568,338,114

2021	Mutajara (SAR '000)	Installment sale (SAR '000)	Murabaha (SAR '000)	Credit cards (SAR '000)	Total (SAR '000)
Inside the Kingdom of Saudi Arabia	68,293,335	364,548,182	14,661,090	3,709,899	451,212,506
Outside the Kingdom of Saudi Arabia	1,379,028	4,879,998	4,550,578	6,701	10,816,305
Gross financing	69,672,363	369,428,180	19,211,668	3,716,600	462,028,811
Allowance for impairment	(3,959,756)	(4,978,513)	(61,718)	(198,167)	(9,198,154)
Net financing	65,712,607	364,449,667	19,149,950	3,518,433	452,830,657

(c) The table below depicts the categories of financing as per main business segments at 31 December:

2022	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Mutajara	**5,679,406**	**114,141,429**	**119,820,835**
Installment sale	**421,178,939**	**9,058,586**	**430,237,525**
Murabaha	**2,964,586**	**18,331,492**	**21,296,078**
Credit cards	**4,997,435**	**13,899**	**5,011,334**
Gross financing	**434,820,366**	**141,545,406**	**576,365,772**
Less: Allowance for impairment	**(4,804,384)**	**(3,223,274)**	**(8,027,658)**
Total	**430,015,982**	**138,322,132**	**568,338,114**

2021	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Mutajara	2,820,209	66,852,154	69,672,363
Installment sale	361,905,463	7,522,717	369,428,180
Murabaha	2,512,845	16,698,823	19,211,668
Credit cards	3,712,263	4,337	3,716,600
Gross financing	370,950,780	91,078,031	462,028,811
Less: Allowance for impairment	(5,201,431)	(3,996,723)	(9,198,154)
Total	365,749,349	87,081,308	452,830,657

(d) The table below summarises financing balances at 31 December that are neither past due nor impaired, past due but not impaired and impaired, as per the main business segments of the Group:

2022	Neither past due nor impaired (SAR '000)	Past due but not impaired (SAR '000)	Impaired (SAR '000)	Total (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Retail	**423,157,782**	**9,766,079**	**1,896,505**	**434,820,366**	**(4,804,384)**	**430,015,982**
Corporate	**138,848,182**	**1,509,012**	**1,188,212**	**141,545,406**	**(3,223,274)**	**138,322,132**
Total	**562,005,964**	**11,275,091**	**3,084,717**	**576,365,772**	**(8,027,658)**	**568,338,114**

2021	Neither past due nor impaired (SAR '000)	Past due but not impaired (SAR '000)	Impaired (SAR '000)	Total (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Retail	361,318,535	8,132,148	1,500,097	370,950,780	(5,201,431)	365,749,349
Corporate	88,335,265	1,232,763	1,510,003	91,078,031	(3,996,723)	87,081,308
Total	449,653,800	9,364,911	3,010,100	462,028,811	(9,198,154)	452,830,657

Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. "Neither past due nor impaired" and "past due but not impaired" comprise total performing financing.

(e) The movement in the allowance for impairment of financing is as follows:

2022	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Balance at the beginning of the period	**5,201,431**	**3,996,723**	**9,198,154**
Provided for the period	**2,288,338**	**1,023,826**	**3,312,164**
Bad debt written off	**(2,685,385)**	**(1,797,275)**	**(4,482,660)**
Balance at the end of the year	**4,804,384**	**3,223,274**	**8,027,658**

2021	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Balance at the beginning of the period	4,341,561	3,129,795	7,471,356
Provided for the period	2,638,865	1,163,363	3,802,228
Bad debt written off	(1,778,995)	(296,435)	(2,075,430)
Balance at the end of the year	5,201,431	3,996,723	9,198,154

(f) The Impairment charge movement

The details of the impairment charge on financing and other financial assets for the year recorded in the consolidated statement of income is as follows:

	2022 (SAR '000)	2021 (SAR '000)
Provided for the year for financing	**3,312,164**	3,802,228
Provided for the year for other financing assets and off balance sheet	**36,112**	(130,533)
Recovery of written-off financing, net	**(1,347,017)**	(1,326,609)
Allowance for financing impairment, net	**2,001,259**	2,345,086

(g) The movement of financing by stages is as follows:

	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2022	**448,294,309**	**9,557,878**	**4,176,624**	**462,028,811**
Transfers:				
Transfer to 12-month ECL	**1,968,259**	**(1,923,214)**	**(45,045)**	**–**
Transfer to Lifetime ECL not credit impaired	**(5,034,653)**	**5,268,310**	**(233,657)**	**–**
Transfer to Lifetime ECL credit impaired	**(1,108,367)**	**(1,664,680)**	**2,773,047**	**–**
Write-offs	**–**	**–**	**(4,482,660)**	**(4,482,660)**
New business/Other movements	**117,930,087**	**(1,661,640)**	**2,551,174**	**118,819,621**
At 31 December 2022	**562,049,635**	**9,576,654**	**4,739,483**	**576,365,772**

	Gross carrying amount as of 31 December 2021			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2021	311,275,457	8,460,233	3,447,767	323,183,457
Transfers:				
Transfer to 12-month ECL	1,538,438	(1,534,491)	(3,947)	–
Transfer to Lifetime ECL not credit impaired	(3,669,318)	3,836,110	(166,792)	–
Transfer to Lifetime ECL credit impaired	(687,863)	(271,691)	959,554	–
Write-offs	–	–	(2,075,430)	(2,075,430)
New business/Other movements	139,837,595	(932,283)	2,015,472	140,920,784
At 31 December 2021	448,294,309	9,557,878	4,176,624	462,028,811

Closing balance of Lifetime ECL credit impaired differs from total reported Non-Performing financing due to IFRS 9 implementation.

(h) The movements of the three credit quality stages of carrying amount of financing held at amortised cost allocated by:

(1) Retail segment

Retail	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2022	**363,935,472**	**4,348,687**	**2,666,621**	**370,950,780**
Transfers:				
Transfer to 12-month ECL	**1,799,178**	**(1,769,873)**	**(29,305)**	**–**
Transfer to Lifetime ECL not credit impaired	**(3,877,345)**	**4,051,418**	**(174,073)**	**–**
Transfer to Lifetime ECL credit impaired	**(703,685)**	**(656,966)**	**1,360,651**	**–**
Write-offs	**–**	**–**	**(2,685,385)**	**(2,685,385)**
New business/Other movements	**65,025,957**	**(644,267)**	**2,173,281**	**66,554,971**
At 31 December 2022	**426,179,577**	**5,328,999**	**3,311,790**	**434,820,366**

Retail	Gross carrying amount as of 31 December 2021			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2021	250,650,984	2,617,230	1,756,902	255,025,116
Transfers:				
Transfer to 12-month ECL	1,411,781	(1,407,834)	(3,947)	–
Transfer to Lifetime ECL not credit impaired	(2,920,325)	3,087,106	(166,781)	–
Transfer to Lifetime ECL credit impaired	(571,770)	(242,959)	814,729	–
Write-offs	–	–	(1,778,995)	(1,778,995)
New business/Other movements	115,364,802	295,144	2,044,713	117,704,659
At 31 December 2021	363,935,472	4,348,687	2,666,621	370,950,780

(2) Corporate segment

Corporate	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2022	**84,358,837**	**5,209,191**	**1,510,003**	**91,078,031**
Transfers:				
Transfer to 12-month ECL	**169,081**	**(153,341)**	**(15,740)**	**–**
Transfer to Lifetime ECL not credit impaired	**(1,157,308)**	**1,216,892**	**(59,584)**	**–**
Transfer to Lifetime ECL credit impaired	**(404,682)**	**(1,007,714)**	**1,412,396**	**–**
Write-offs	**–**	**–**	**(1,797,275)**	**(1,797,275)**
New business/Other movements	**52,904,130**	**(1,017,373)**	**377,893**	**52,264,650**
At 31 December 2022	**135,870,058**	**4,247,655**	**1,427,693**	**141,545,406**

Corporate	Gross carrying amount as of 31 December 2021			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2021	60,624,473	5,843,003	1,690,865	68,158,341
Transfers:				
Transfer to 12-month ECL	126,657	(126,657)	–	–
Transfer to Lifetime ECL not credit impaired	(748,993)	749,004	(11)	–
Transfer to Lifetime ECL credit impaired	(116,093)	(28,732)	144,825	–
Write-offs	–	–	(296,435)	(296,435)
New business/Other movements	24,472,793	(1,227,427)	(29,241)	23,216,125
At 31 December 2021	84,358,837	5,209,191	1,510,003	91,078,031

(i) The movement in ECL allowances for impairment of financing by stages is as follows:

	Credit loss allowance as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	**3,712,975**	**2,326,414**	**3,158,765**	**9,198,154**
Transfers:				
Transfer to 12-month ECL	**549,956**	**(527,427)**	**(22,529)**	**–**
Transfer to Lifetime ECL not credit impaired	**(315,415)**	**433,896**	**(118,481)**	**–**
Transfer to Lifetime ECL credit impaired	**(149,722)**	**(626,937)**	**776,659**	**–**
Write-offs	**–**	**–**	**(4,482,660)**	**(4,482,660)**
Net charge for the period	**(521,551)**	**108,845**	**3,724,870**	**3,312,164**
At 31 December 2022	**3,276,243**	**1,714,791**	**3,036,624**	**8,027,658**

	Credit loss allowance as of 31 December 2021			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2021	2,944,807	2,030,356	2,496,193	7,471,356
Transfers:				
Transfer to 12-month ECL	314,742	(312,458)	(2,284)	–
Transfer to Lifetime ECL not credit impaired	(79,419)	174,580	(95,161)	–
Transfer to Lifetime ECL credit impaired	(47,348)	(126,873)	174,221	–
Write-offs	–	–	(2,075,430)	(2,075,430)
Net charge for the period	580,193	560,809	2,661,226	3,802,228
At 31 December 2021	3,712,975	2,326,414	3,158,765	9,198,154

(j) The ECL movements of the three credit quality stages of financing held at amortised cost of:

(1) Retail segment:

Retail	Credit loss allowance as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	2,301,583	1,017,372	1,882,476	5,201,431
Transfers:				
Transfer to 12-month ECL	528,846	(514,458)	(14,388)	–
Transfer to Lifetime ECL not credit impaired	(284,776)	386,605	(101,829)	–
Transfer to Lifetime ECL credit impaired	(135,360)	(388,562)	523,922	–
Write-offs	–	–	(2,685,385)	(2,685,385)
Net charge for the period	(523,539)	391,737	2,420,140	2,288,338
At 31 December 2022	1,886,754	892,694	2,024,936	4,804,384

Retail	Credit loss allowance as of 31 December 2021			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2021	2,388,807	839,120	1,113,634	4,341,561
Transfers:				
Transfer to 12-month ECL	299,724	(297,440)	(2,284)	–
Transfer to Lifetime ECL not credit impaired	(75,477)	170,631	(95,154)	–
Transfer to Lifetime ECL credit impaired	(24,201)	(120,776)	144,977	–
Write-offs	–	–	(1,778,995)	(1,778,995)
Net charge for the period	(287,270)	425,837	2,500,298	2,638,865
At 31 December 2021	2,301,583	1,017,372	1,882,476	5,201,431

(2) Corporate segment:

Corporate	Credit loss allowance as of 31 December 2022 Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	**1,411,392**	**1,309,042**	**1,276,289**	**3,996,723**
Transfers:				
Transfer to 12-month ECL	**21,110**	**(12,969)**	**(8,141)**	**–**
Transfer to Lifetime ECL not credit impaired	**(30,639)**	**47,291**	**(16,652)**	**–**
Transfer to Lifetime ECL credit impaired	**(14,362)**	**(238,375)**	**252,737**	**–**
Write-offs	**–**	**–**	**(1,797,275)**	**(1,797,275)**
Net charge for the period	**1,988**	**(282,892)**	**1,304,730**	**1,023,826**
At 31 December 2022	**1,389,489**	**822,097**	**1,011,688**	**3,223,274**

Corporate	Credit loss allowance as of 31 December 2021 Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2021	556,000	1,191,236	1,382,559	3,129,795
Transfers:				
Transfer to 12-month ECL	15,018	(15,018)	–	–
Transfer to Lifetime ECL not credit impaired	(3,942)	3,949	(7)	–
Transfer to Lifetime ECL credit impaired	(23,147)	(6,097)	29,244	–
Write-offs	–	–	(296,435)	(296,435)
Net charge for the period	867,463	134,972	160,928	1,163,363
At 31 December 2021	1,411,392	1,309,042	1,276,289	3,996,723

(k) Installment sale under financing includes finance lease receivables, which are as follows:

	2022 (SAR '000)	2021 (SAR '000)
Gross receivables from finance leases	**32,827,255**	27,020,295
Less than 1 year	**1,946,998**	6,286
1 to 5 years	**21,269,416**	17,532,469
Over 5 years	**9,610,841**	9,481,540
	32,827,255	27,020,295
Unearned future finance income on finance leases	**(4,096,161)**	(3,404,832)
Expect credit loss from finance leases	**(782,783)**	(571,116)
Net receivables from finance leases	**27,948,311**	23,044,347

8 Investments in associates

Investment in associate	2022 (SAR '000)	2021 (SAR '000)
Balance at the beginning of the year	**295,253**	239,179
Investment made during the year	**513,288**	–
Dividends during the year	**(2,952)**	–
Share in earnings, net	**15,128**	56,074
Balance at end of the year	**820,717**	295,253

The Group owns 35% (31 December 2021: 22.5%) shares of Al Rajhi Company for Cooperative Insurance, a Saudi Joint Stock Company.

9 Property, equipment, and right of use assets, net

Property and equipment, net comprises the following as of 31 December:

	Land (SAR '000)	Buildings (SAR '000)	Leasehold land and buildings improvements (SAR '000)	Equipment and furniture (SAR '000)	Right-of-use assets (SAR '000)	Total (SAR '000)
Cost						
At 1 January 2021	2,350,972	6,181,879	1,593,032	5,786,889	1,550,726	17,463,498
Additions	106,569	137,327	46,358	1,610,884	3,159	1,904,297
Disposals	(20,768)	(126,856)	–	(1,154,444)	–	(1,302,068)
At 31 December 2021	2,436,773	6,192,350	1,639,390	6,243,329	1,553,885	18,065,727
Additions	**179,472**	**502,188**	**568**	**1,698,549**	**64,936**	**2,445,713**
Disposals	**(1,005)**	**–**	**(23,365)**	**(192,402)**	**(25,353)**	**(242,125)**
At 31 December 2022	**2,615,240**	**6,694,538**	**1,616,593**	**7,749,476**	**1,593,468**	**20,269,315**
Accumulated depreciation						
At 1 January 2021	–	963,193	1,099,049	4,801,820	452,579	7,316,641
Charge for the year	–	135,205	61	718,051	210,959	1,064,276
Disposals	–	(1,044)	–	(461,834)	–	(462,878)
At 31 December 2021	–	1,097,354	1,099,110	5,058,037	663,538	7,918,039
Charge for the year	**–**	**143,588**	**1,831**	**741,853**	**244,865**	**1,132,137**
Disposals	**–**	**–**	**(5,320)**	**(113,790)**	**(533)**	**(119,643)**
At 31 December 2022	**–**	**1,240,942**	**1,095,621**	**5,686,100**	**907,870**	**8,930,533**
Net book value						
At 31 December 2022	**2,615,240**	**5,453,596**	**520,972**	**2,063,376**	**685,598**	**11,338,782**
At 31 December 2021	2,436,773	5,094,996	540,280	1,185,292	890,347	10,147,688

Buildings include work-in-progress amounting to SAR 253 Mn. as at 31 December 2022 (2021: SAR 271 Mn.).

10 Goodwill and other intangibles, net

	Goodwill (SAR '000)	Intangibles (SAR '000)	Total (SAR '000)
Cost			
At 1 January 2021	–	364,410	364,410
Additions	–	482,188	482,188
Disposals	–	–	–
At 31 December 2021	–	846,598	846,598
Additions	**248,733**	**599,027**	**847,760**
Disposals	**–**	**(1,011)**	**(1,011)**
At 31 December 2022	**248,733**	**1,444,614**	**1,693,347**
Accumulated amortisation			
At 1 January 2021	–	276,483	276,483
Charge for the year	–	52,004	52,004
Impairment loss	–	–	–
Disposals	–	–	–
At 31 December 2021	–	328,487	328,487
Charge for the year	**–**	**111,292**	**111,292**
Impairment loss	**–**	**39,021**	**39,021**
Disposals	**–**	**–**	**–**
At 31 December 2022	**–**	**478,800**	**478,800**
Net book value			
At 31 December 2022	**248,733**	**965,814**	**1,214,547**
At 31 December 2021	–	518,111	518,111

11 Investment properties, net

	Land (SAR '000)	Buildings (SAR '000)	Total (SAR '000)
Cost			
At 1 January 2021	894,423	754,842	1,649,265
Additions	–	1,452	1,452
Disposals	–	(105,542)	(105,542)
At 31 December 2021	894,423	650,752	1,545,175
Additions	**–**	**1,058**	**1,058**
At 31 December 2022	**894,423**	**651,810**	**1,546,233**
Accumulated depreciation			
At 1 January 2021	–	108,054	108,054
Charge for the year	–	25,652	25,652
At 31 December 2021	–	133,706	133,706
Charge for the year	**–**	**47,669**	**47,669**
At 31 December 2022	**–**	**181,375**	**181,375**
Net book value			
At 31 December 2022	**894,423**	**470,435**	**1,364,858**
At 31 December 2021	894,423	517,046	1,411,469

The fair value of the investment properties as at 31 December is SAR 1.4 Bn. (31 December 2021: SAR 1.6 Bn.).

12 Other Assets, net

	2022 (SAR '000)	2021 (SAR '000)
Receivables, net	**3,927,978**	2,961,252
Prepaid expenses	**927,010**	462,550
Assets in transit subject to financing	**802,583**	2,398,761
Accrued income	**504,823**	367,345
Cheques under collection	**601,904**	374,668
Advance payments	**121,285**	235,453
Other real estate	**28,023**	28,023
Assets held for sale	**112,500**	102,991
Others, net	**1,525,512**	591,339
Total	**8,551,618**	7,522,382

13 Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following:

	2022 (SAR '000)	2021 (SAR '000)
Current accounts	**1,343,738**	1,749,131
Banks' time investments	**69,495,379**	16,203,009
Total	**70,839,117**	17,952,140

14 Customers' deposits

Customers' deposits by type comprises the following:

	2022 (SAR '000)	2021 (SAR '000)
Demand deposits and call accounts	**351,549,468**	374,725,352
Customers' time investments	**202,039,260**	130,293,061
Other customer accounts	**11,335,960**	7,053,800
Total	**564,924,688**	512,072,213

All Customers' time investments are subject to Murabaha contracts and therefore are non-interest.

	2022 (SAR '000)	2021 (SAR '000)
Saudi Arabian Riyals	**521,538,417**	475,448,079
Foreign currencies	**43,386,271**	36,624,134
Total	**564,924,688**	512,072,213

15 Other liabilities

	2022 (SAR '000)	2021 (SAR '000)
Accounts payable	**5,057,186**	5,392,201
Employees' end of service benefits liabilities (Note 29)	**1,191,573**	1,198,261
Accrued expenses	**2,108,898**	2,266,988
Special commission income excluded from the consolidated financial statements (Note 36)	**6,075**	29,771
Zakat payable (Note 41)	**2,836,371**	3,424,929
Lease liability	**723,122**	927,764
Loss allowance on financial commitments and financial guarantees	**433,532**	415,591
Payable to developers	**4,285,930**	4,890,003
Other	**8,056,852**	7,482,065
Total	**24,699,539**	26,027,573

The loss allowance on financial commitments and financial guarantees are further depicted in Commitments and Contingencies [Note 18 (c)].

16 Share capital

The authorised, issued and fully paid share capital of the Bank consists of 4,000 million shares of SAR 10 each as of 31 December 2022 (31 December 2021: 2,500 million shares of SAR 10 each).

17 Statutory and other reserves

The Banking Control Law in Saudi Arabia and the By-Laws of the Group require a transfer to statutory reserve at a minimum of 25% of the annual net income for the year. Such transfers continue until the reserve equals the paid up share capital. This reserve is presently not available for distribution.

Other reserves includes FVOCI investments reserve, foreign currency translation reserve and employee share plan reserve.

The movements in FVOCI investments, foreign currency reserves, and employee share plan reserve are summarised as follows:

2022	FVOCI investments (SAR '000)	Foreign currency translation (SAR '000)	Employee share plan reserve (SAR '000)	Re-measurement of employees' end of service benefits (SAR '000)	Share in OCI from associate (SAR '000)	Total (SAR '000)
Balance at beginning of the year	572,617	(162,484)	37,110	(189,180)	24,044	282,107
Net change in fair value (FVOCI Equity investments)	(573,838)	–	–	–	–	(573,838)
Exchange difference on translation of foreign operations	–	(38,229)	–	–	–	(38,229)
Re-measurement of employees' end of service benefits (Note 25)	–	–	–	231,824	–	231,824
Share in OCI from associate	–	–	–	–	1,316	1,316
Net change in fair value (FVOCI Sukuk investment)	(131,863)	–	–	–	–	(131,863)
Disposal of FVOCI equity instruments	(198,886)	–	–	–	–	(198,886)
Balance at the end of the year	(331,970)	(200,713)	37,110	42,644	25,360	(427,569)

2021	FVOCI investments (SAR '000)	Foreign currency translation (SAR '000)	Employee share plan reserve (SAR '000)	Re-measurement of employees' end of service benefits (SAR '000)	Share in OCI from associate (SAR '000)	Total (SAR '000)
Balance at beginning of the year	173,278	(141,831)	37,110	(231,235)	–	(162,678)
Net change in fair value	399,339	–	–	–	–	399,339
Exchange difference on translation of foreign operations	–	(20,653)	–	–	–	(20,653)
Re-measurement of employees' end of service benefits (Note 25)	–	–	–	42,055	–	42,055
Share in OCI from associate	–	–	–	–	24,044	24,044
Balance at the end of the year	572,617	(162,484)	37,110	(189,180)	24,044	282,107

18 Commitments and contingencies

(a) Legal proceedings

As at 31 December 2022, there were certain legal proceedings outstanding against the Group in the normal course of business including those relating to the extension of credit facilities. Such proceedings are being reviewed by the concerned parties.

Provisions have been made for some of these legal cases based on the assessment of the Group's legal advisors.

The Bank was named as one of many defendants in certain lawsuits initiated in the US commencing in 2002. The Bank was successful in defending the claims, all of which were finally dismissed by the relevant courts. With respect to new lawsuits commencing in 2016, however, the most recent dismissal was reversed by the court of appeals to permit limited jurisdictional discovery, which commenced in 2021. The Bank's management believes that the claims will be defended successfully, although note that there are inherent uncertainties in litigation.

(b) Capital commitments

As at 31 December 2022, the Group had capital commitments of SAR 869 Mn. (2021: SAR 458 Mn.) relating to contracts for computer software update and development, and SAR 194 Mn. (2021: SAR 193 Mn.) relating to building new workstations, and development and improvement of new and existing branches.

(c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required. Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, acceptances and unused commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financing.

Letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate, and therefore, carry 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.

Cash requirements under guarantees and letters of credit are considerably less than the amount of the commitment because the Group does not expect the third party to necessarily draw funds under the agreement.

Commitments to extend credit represent unused portions of authorisation to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since 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 without being funded.

1. The contractual maturities of the Group's commitments and contingent liabilities are as follows:

2022	Less than 3 months (SAR '000)	From 3 to 12 months (SAR '000)	From 1 to 5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
Letters of credit	**4,935,989**	**2,315,230**	**193,131**	**107,022**	**7,551,372**
Acceptances	**1,571,389**	**226,905**	**–**	**–**	**1,798,294**
Letters of guarantee	**5,897,648**	**6,203,099**	**2,457,304**	**344,915**	**14,902,966**
Irrevocable commitments to extend credit	**1,390,214**	**11,401,251**	**1,526,919**	**1,305,704**	**15,624,088**
Total	**13,795,240**	**20,146,485**	**4,177,354**	**1,757,641**	**39,876,720**

2021	Less than 3 months (SAR '000)	From 3 to 12 months (SAR '000)	From 1 to 5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
Letters of credit	2,147,992	2,733,885	331,344	–	5,213,221
Acceptances	1,415,796	4,599,305	1,388,832	327,643	7,731,576
Letters of guarantee	583,808	273,752	–	–	857,560
Irrevocable commitments to extend credit	1,540,867	8,390,296	1,306,996	46,713	11,284,872
Total	5,688,463	15,997,238	3,027,172	374,356	25,087,229

2. Commitments and contingencies that may result in credit exposure

The table below shows the gross carrying amount and ECL allowance of the financing commitments and financial guarantees.

2022	Letter of credit (SAR '000)	Acceptance (SAR '000)	Letter of guarantees (SAR '000)	Irrevocable commitments to extend credit (SAR '000)	Total (SAR '000)
Gross carrying amount					
Stage 1 – (12-months ECL)	7,545,062	1,794,375	14,203,880	15,442,285	38,985,602
Stage 2 – (lifetime ECL not credit impaired)	5,951	768	346,090	181,803	534,612
Stage 3 – (lifetime ECL for credit impaired)	359	3,151	352,996	–	356,506
Total outstanding balance at end of the period	7,551,372	1,798,294	14,902,966	15,624,088	39,876,720
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 – (12-months ECL)	74,850	4,292	23,854	12,500	115,496
Stage 2 – (lifetime ECL not credit impaired)	36	388	4,971	2,117	7,512
Stage 3 – (lifetime ECL for credit impaired)	357	3,151	307,016	–	310,524
Total	75,243	7,831	335,841	14,617	433,532

2021	Letter of credit (SAR '000)	Acceptance (SAR '000)	Letter of guarantees (SAR '000)	Irrevocable commitments to extend credit (SAR '000)	Total (SAR '000)
Gross carrying amount					
Stage 1 – (12-months ECL)	5,186,457	856,792	7,006,356	11,065,878	24,115,483
Stage 2 – (lifetime ECL not credit impaired)	24,328	768	356,166	210,608	591,870
Stage 3 – (lifetime ECL for credit impaired)	2,436	–	369,054	8,386	379,876
Total outstanding balance at end of the period	5,213,221	857,560	7,731,576	11,284,872	25,087,229
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 – (12-months ECL)	61,532	821	13,780	6,982	83,115
Stage 2 – (lifetime ECL not credit impaired)	103	39	2,727	2,043	4,912
Stage 3 – (lifetime ECL for credit impaired)	2,436	–	319,577	5,551	327,564
Total	64,071	860	336,084	14,576	415,591

3. The analysis of commitments and contingencies by counter-party is as follows:

	2022 (SAR '000)	2021 (SAR '000)
Corporates	**36,374,002**	23,381,445
Banks and other financial institutions	**3,502,718**	1,705,784
Total	**39,876,720**	25,087,229

19 Net financing and investment income

Net financing and investment income for the years ended 31 December comprises the following:

	2022 (SAR '000)	2021 (SAR '000)
Financing		
Corporate Mutajara	**4,526,629**	2,263,820
Installment sale	**19,560,986**	15,806,344
Murabaha	**1,035,278**	686,398
Investments and other		
Murabaha with SAMA	**1,497,334**	1,167,653
Mutajara with banks	**413,286**	1,230,388
Income from Sukuk	**1,168,118**	286,903
Gross financing and investment income	**28,201,631**	21,441,506
Return on customers' time investments	**(3,927,187)**	(803,888)
Return on due to banks and financial institutions' time investments	**(2,101,757)**	(245,682)
Return on customers', banks' and financial institutions' time investments	**(6,028,944)**	(1,049,570)
Net financing and investment income	**22,172,687**	20,391,936

20 Fee from banking services, net

Net financing and investment income for the years ended 31 December comprises the following:

	2022 (SAR '000)	2021 (SAR '000)
Fee income:		
Remittance business	**373,365**	258,878
Wholesale business	**416,815**	376,857
Payment and electronic service channels	**5,547,346**	3,844,593
Brokerage business	**1,009,256**	1,238,943
Others	**1,420,490**	929,065
Total fee income	**8,767,272**	6,648,336
Fee expenses:		
Remittance business	**–**	–
Wholesale business	**(33,567)**	(26,928)
Payment and electronic service channels	**(3,801,041)**	(2,245,117)
Brokerage business	**(308,524)**	(443,184)
Others	**–**	–
Total fee expenses	**(4,143,132)**	(2,715,229)
Fee from banking services, net	**4,624,140**	3,933,107

21 Other operating income, net

Other operating income for the years ended 31 December comprises the following:

	2022 (SAR '000)	2021 (SAR '000)
Dividend income	**128,097**	169,602
Gain on sale of property and equipment, net	**1,275**	47,511
Rental income from investment properties	**106,720**	94,693
Share in profit of an associate	**13,812**	32,030
Loss on investments held as FVIS	**(208,766)**	(37,897)
Other income, net	**574,892**	297,518
Total	**616,030**	603,457

22 Salaries and employees' related benefits

The following tables provide an analysis of the salaries and employees' related benefits for the years ended 31 December:

2022	Number of employees	Fixed and variable compensation (SAR '000)	Variable compensations paid: Cash (SAR '000)	Variable compensations paid: Shares (SAR '000)
Executives	24	50,693	23,996	55,595
Employees engaged in risk taking activities	1,877	590,626	189,914	32,479
Employees engaged in control functions	511	214,190	41,174	26,857
Other employees	17,552	1,804,438	313,694	46,344
Total	**19,964**	**2,659,947**	**568,778**	**161,275**
Accrued compensations in 2022	–	247,731	–	–
Other employees' costs	–	487,513	–	–
Gross total	**19,964**	**3,395,191**	**568,778**	**161,275**

2021	Number of employees	Fixed and variable compensation (SAR '000)	Variable compensations paid: Cash (SAR '000)	Variable compensations paid: Shares (SAR '000)
Executives	23	48,198	22,954	42,322
Employees engaged in risk taking activities	1,984	686,464	202,368	22,242
Employees engaged in control functions	602	251,636	48,160	19,241
Other employees	12,469	1,591,335	321,356	34,675
Total	15,078	2,577,633	594,838	118,480
Accrued compensations in 2021	–	231,087	–	–
Other employees' costs	–	323,626	–	–
Gross total	15,078	3,132,346	594,838	118,480

Salaries and employees' related benefits include end of services, social insurance, business trips, training and other benefits.

As the Kingdom of Saudi Arabia is part of the G-20, instructions were given to all financial institutions by SAMA, the Saudi Arabia Financial regulator, to comply with the standards and principles of Basel II and the Financial Stability Board, specially with regard to compensation.

In light of the above SAMA's regulations, the Group issued fixed and variable compensation policy which was implemented after the Board of Directors approval.

The scope of this policy is extended to include all permanent and temporary employees of the Group and its subsidiary companies (local and international) that are operating in the financial services sector.

For consistency with other banking institutions in the Kingdom of Saudi Arabia, the Group has used a combination of fixed and variable compensation to attract and maintain talent. The fixed compensation is assessed on a yearly basis by comparing it to other local banks in the Kingdom of Saudi Arabia including the basic salaries, allowances and benefits which is related to the employees' ranks. The variable compensation is related to the employees' performance and their compatibility to achieve the agreed-on objectives. It includes incentives, performance bonus and other benefits. Incentives are mainly paid to branches' employees whereby the performance bonuses are paid to head office employees and others who do not qualify for incentives. These bonuses and compensation are approved by the Board of Directors as a percentage of the Group's net income.

The overall 2022 staff headcount increase is driven mainly by creation and acquisition of new subsidiaries and organic growth of businesses.

23 Other general and administrative expenses

Other general and administrative expenses for the years ended 31 December comprises the following:

	2022 (SAR '000)	2021 (SAR '000)
Communications and utilities expenses	**584,017**	638,822
Maintenance and security expenses	**346,758**	424,722
Cash feeding and transfer expenses	**240,142**	261,042
Software and IT support expenses	**413,187**	315,836
Other operational expenses	**1,141,656**	1,011,822
Total	**2,725,760**	2,652,244

24 Earnings per share

Basic and diluted earnings per share for the years ended 31 December 2022 and 31 December 2021 have been calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving retrospective effect to the bonus shares issuance of 1,500 million shares for all prior periods to reflect the element of increase in share capital. The weighted average number of outstanding shares as at 31 December 2022 is 4,000 million (31 December 2021: 4,000 million shares (restated). The diluted earning per share is the same as the basic earnings per share.

25 Dividends

The Board of Directors proposed on 15 January 2023, distribution of final dividends to shareholders for the year ended 31 December 2022, amounting to SAR 5,000 Mn., being SAR 1.25 per share after deduction of Zakat. Details of dividends distribution date process will be announced later.

The Board of Directors of Al Rajhi Bank approved on 29 June 2021 to distribute cash dividends to the shareholders for the first half of 2021, amounting to SAR 3,500 Mn., being SAR 1.40 per share. These dividends were subsequently paid on 14 July 2021.

The Board of Directors proposed on 28 February 2021, distribution of final dividends to shareholders for the year ended 31 December 2020, amounting to SAR 2,500 Mn., being SAR 1 per share. The proposed final dividends for 2020 was approved by the Annual General Assembly in its meeting held on 29 March 2021. These dividends were subsequently paid on 6 April 2021.

26 Bonus shares

Al Rajhi Bank Board of Directors, through circulation on 16 Rajab,1443 corresponding to 17 February, 2022, recommended to the Extraordinary General Assembly to increase the Bank's capital by granting bonus shares to the bank's shareholders through capitalisation of SAR 15,000 Mn. from the retained earnings by granting 3 shares for every 5 shares owned.

On 07 Shawal, 1443 (corresponding to 08 May, 2022), the Bank's shareholders in an extraordinary general assembly meeting approved the recommended such bonus shares issuance.

27 Tier I Sukuk

On January 2022, the Bank through a Shariah compliant arrangement, (the "arrangement"), issued Tier I Sukuk (the "Sukuk"), of SAR 6.5 Bn. The Sukuk are perpetual securities in respect of which there are no fixed redemption dates, the Sukuk also represent an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among themselves, with each unit of the Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on or after 23 January 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic quarterly 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.

In addition to the Tier I Sukuk issued above, and during November 2022, the Bank has completed the issuance of an additional Tier I Sukuk programme of SAR 10 Bn. in a SAR-denominated Tier I Sukuk by way of a public offering in Saudi Arabia. These Sukuk are perpetual securities with no fixed redemption dates, the Sukuk also have an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among those Sukuk-holders. The entire units of such Sukuk are unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on or after 26 November 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic quarterly 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.

28 Cash and cash equivalents

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

	2022 (SAR '000)	2021 (SAR '000)
Cash in hand	**6,672,064**	5,445,994
Due from banks and other financial institutions maturing within 90 days from the date of purchase	**16,059,911**	10,680,328
Balances with SAMA and other central banks (current accounts)	**408,197**	314,005
Mutajara with SAMA	**2,053,000**	5,799,920
Total	**25,193,172**	22,240,247

29 Employees' end of service benefits liabilities

(a) General description

The Group operates an End of Service Benefit Plan for its employees based on the applicable Labour Laws in the country in which they are employed. Accruals are made in accordance with the actuarial valuation under the projected unit credit method, while the benefit payments liabilities are discharged as and when they fall due.

(b) The amounts recognised in the consolidated statement of financial position and movement in the liabilities during the year based on its present value are as follows:

	2022 (SAR '000)	2021 (SAR '000)
Employees' end of service benefits liabilities at the beginning of the year	**1,198,261**	1,176,075
Past Service Gain	**(3,774)**	–
Current service cost	**171,308**	146,375
Financing cost	**45,978**	33,264
Benefits paid including pending to be paid for the period	**(112,004)**	(115,398)
Benefits acquired/transferred to be transferred to/(from) sister companies	**123,628**	–
Remeasurement gain	**(231,824)**	(42,055)
Employees' end of service benefits liabilities at the end of the year	**1,191,573**	1,198,261

(c) Charge for the years:

	2022 (SAR '000)	2021 (SAR '000)
Current service cost	**171,308**	146,375
Past service cost	**(3,774)**	–
Total	**167,534**	146,375

(d) Re-measurement recognised in other comprehensive income:

	2022 (SAR '000)	2021 (SAR '000)
(Gain)/loss from change in experience assumptions	**(14,220)**	6,528
Loss from change in demographic assumptions	**95**	–
Gain from change in financial assumptions	**(217,699)**	(48,583)
Total	**(231,824)**	(42,055)

(e) Income principal actuarial assumptions (in respect of the employee benefit scheme)

	2022	2021
Discount rate	**5.00%**	3.05%
Expected rate of salary increase	**2.00% for FY 2023 and 3.00% thereafter**	2.50% for FY 2022 and 3.00% thereafter
Attrition rate	**5% – 14% (based on the age band)**	5% – 14% (based on the age band)

(f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the employees' end of service benefits liabilities valuation to the discount rate, salary increase rate and attrition rate assumptions

2022	Impact on defined benefit obligation – Increase/(Decrease)		
Base scenario	Change in assumption	Increase in assumption (SAR '000)	Decrease in assumption (SAR '000)
Discount rate	**+/- 100 basis points**	**(102,064)**	**118,662**
Expected rate of salary increase	**+/- 100 basis points**	**119,943**	**(104,924)**
Attrition rate	**Increase or decrease by 20%**	**10,134**	**(12,802)**

2021	Impact on defined benefit obligation – Increase/(Decrease)		
Base scenario	Change in assumption	Increase in assumption (SAR '000)	Decrease in assumption (SAR '000)
Discount rate	+/- 100 basis points	(119,306)	140,910
Expected rate of salary increase	+/- 100 basis points	139,572	(120,486)
Attrition rate	Increase or decrease by 20%	(9,825)	10,113

(e) Expected maturity

At 31 December	Discounted liability (SAR '000)	Less than a year (SAR '000)	1-2 years (SAR '000)	2-5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
2022	**1,191,573**	**125,630**	**127,220**	**402,681**	**3,654,250**	**4,309,781**
2021	1,198,261	89,324	93,492	332,743	2,994,291	3,509,850

30 Operating segments

The Group identifies operating segments on the basis of internal reports about the activities of the Group that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

For management purposes, the Group is organised into the following four main businesses segments:

Retail segment:	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business, payment services.
Corporate segment:	Incorporates deposits of VIP, corporate customers' deposits, credit facilities, and debit current accounts (overdrafts).
Treasury segment:	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio.
Investment services and brokerage segments:	Includes investments of individuals and corporate in mutual funds, local and international share trading services and investment portfolios.

(a) The Group's total assets and liabilities, together with its total operating income and expenses, and net income, as of and for the years ended 31 December for each segment are as follows:

2022	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services and brokerage segment (SAR '000)	Total (SAR '000)
Total assets	458,403,446	133,149,990	163,297,971	7,514,615	762,366,022
Total liabilities	294,470,416	278,627,535	88,458,464	584,572	662,140,987
Financing and investment income from external customers	19,799,227	5,159,001	3,116,428	126,975	28,201,631
Inter-segment operating income/(expense)	(6,486,764)	2,336,774	4,149,990	–	–
Gross financing and investment income	13,312,463	7,495,775	7,266,418	126,975	28,201,631
Gross financing and investment return	(343,085)	(4,005,596)	(1,680,263)	–	(6,028,944)
Net financing and investment income	12,969,378	3,490,179	5,586,155	126,975	22,172,687
Fee from banking services, net	1,904,688	798,321	1,236,839	684,292	4,624,140
Exchange income, net	576,402	218,186	367,574	–	1,162,162
Other operating income, net	77,880	–	325,549	212,601	616,030
Total operating income	15,528,348	4,506,686	7,516,117	1,023,868	28,575,019
Depreciation and amortisation	(1,162,971)	(106,023)	(44,703)	(16,422)	(1,330,119)
Impairment charge for financing and other financial assets, net	(1,453,637)	(528,934)	(18,688)	–	(2,001,259)
Other operating expenses	(5,219,603)	(514,604)	(178,032)	(208,712)	(6,120,951)
Total operating expenses	(7,836,211)	(1,149,561)	(241,423)	(225,134)	(9,452,329)
Income before Zakat	7,692,137	3,357,125	7,274,694	798,734	19,122,690

2021	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services and brokerage segment (SAR '000)	Total (SAR '000)
Total assets	381,273,640	91,815,182	145,633,833	4,921,973	623,644,628
Total liabilities	319,479,167	207,879,265	28,915,286	89,346	556,363,064

2021	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services and brokerage segment (SAR '000)	Total (SAR '000)
Financing and investment income from external customers	16,590,307	2,748,795	2,027,436	74,968	21,441,506
Inter-segment operating income/(expense)	(4,549,247)	(63,795)	4,613,042	–	–
Gross financing and investment income	12,041,060	2,685,000	6,640,478	74,968	21,441,506
Gross financing and investment return	(158,337)	(695,687)	(195,546)	–	(1,049,570)
Net financing and investment income	11,882,723	1,989,313	6,444,932	74,968	20,391,936
Fee from banking services, net	1,617,476	749,263	770,608	795,760	3,933,107
Exchange income, net	413,470	106,067	268,361	–	787,898
Other operating income, net	136,870	–	363,179	103,408	603,457
Total operating income	14,050,539	2,844,643	7,847,080	974,136	25,716,398
Depreciation and amortisation	(1,039,543)	(67,795)	(23,607)	(10,987)	(1,141,932)
Impairment charge for financing and other financial assets, net	(1,785,410)	(566,292)	6,616	–	(2,345,086)
Other operating expenses	(4,992,399)	(393,672)	(104,660)	(293,859)	(5,784,590)
Total operating expenses	(7,817,352)	(1,027,759)	(121,651)	(304,846)	(9,271,608)
Income before Zakat	6,233,187	1,816,884	7,725,429	669,290	16,444,790

(b) The Group's credit exposure by business segments as of 31 December follows:

2022	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services and brokerage segment (SAR '000)	Total (SAR '000)
Consolidated balance sheet assets	**430,015,982**	**138,322,132**	**124,251,941**	**3,927,978**	**696,518,033**
Commitments and contingencies excluding irrevocable commitments to extend credit	–	**24,252,632**	–	–	**24,252,632**

2021	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services and brokerage segment (SAR '000)	Total (SAR '000)
Consolidated balance sheet assets	365,749,350	87,081,308	102,230,559	2,961,252	558,022,469
Commitments and contingencies excluding irrevocable commitments to extend credit	–	13,802,357	–	–	13,802,357

31 Financial risk management

The Group 's activities are exposed it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyse these risks and to set appropriate risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit and Risk Management Group ("CRMG") under policies approved by the Board of Directors. The CRMG identifies and evaluates financial risks in close co-operation with the Group's operating units. The most important types of risks identified by the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, operational risk and price risk.

(1) Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the CRMG, which sets parameters and thresholds for the Group's financing activities.

(a) Credit risk measurement

(i) Financing

The Group has structured a number of financial products which are in accordance with Shariah law in order to meet the customers demand. These products are all classified as financing assets in the Group's consolidated statement of financial position. In measuring credit risk of financing at a counterparty level, the Group considers the overall credit worthiness of the customer based on a proprietary risk methodology.

This risk rating methodology utilises a 10 point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8-10). The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

(ii) Credit risk grades

For corporate exposures, 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 customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates, 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 customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of corporate exposure involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the customer or in its business activities

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 customers analysed by segment as well as by credit risk grading.

(iii) Generating the term structure of PD

The Group employs analytical techniques incorporating internal default estimates backed by transition matrices published by external agencies to construct PD term structures that can be applied to each exposure based on the its remaining lifetime. These PD term structures are then adjusted to incorporate the impact of macroeconomic outlook to arrive at a forward looking estimate of PD across the lifetime.

For retail exposure, customer and financing specific information collected at the time of application, repayment behavior etc. are used to construct risk based segmentation using Chi-square Automatic Interaction Detection (CHAID) (or Decision Tree) technique. Risk segments are constructed to identify and aggregate customers with similar risk characteristics. For each risk segment thus formed, PD term structures are constructed using historical data that can be applied to each exposure based on its remaining lifetime.

Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

Bank has a master rating scale in place that comprises of 22 risk rating grades in total which is further split into 19 performing grades and 3 non-performing grades. Each of these 19 performing risk rating grades has a probability of default range assigned to it along with a mid-point PD. The probability of default for performing portfolio ranges from a minimum of 0% up to a maximum of 99% depending on the risk grades. The 12-month probability of default (PD) for on and off-balance sheet financing exposures in grades 1 to 6 and unrated exposures range from 0% to 8%. For 12-month PD for watch list exposures ranges from 8% to 99%, For the 3 non-performing grades, the probability of default (PD) assigned is 100%.

Risk Rating 1

Exceptional – Obligors of unquestioned credit standing at the pinnacle of credit quality.

Risk Rating 2

Excellent – Obligors of the highest quality, presently and prospectively. Virtually no risk in financing to this class, Cash flows reflect exceptionally large and stable margins of protection. Projected cash flows including anticipated credit extensions indicate strong liquidity levels and debt service coverage. Balance Sheet parameters are strong, with excellent asset quality in terms of value and liquidity.

Risk Rating 3

Superior – Typically obligors at the lower end of the high quality range with excellent prospects. Very good asset quality and liquidity. Consistently strong debt capacity and coverage. There could however be some elements, which with a low likelihood might impair performance in the future.

Risk Rating 4

Good – Typically obligors in the high end of the medium range who are definitely sound with minor risk characteristics. Elements of strength are present in such areas as liquidity, stability of margins, cash flows, diversity of assets, and lack of dependence on one type of business.

Risk Rating 5

Satisfactory – These are obligors with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality, liquidity, and good debt capacity and coverage. A loss year or declining earnings trend may occur, but the customers have sufficient strength and financial flexibility to offset these issues.

Risk Rating 6

Adequate – Obligors with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk, such customers have limited additional debt capacity, modest coverage, average or below average asset quality and market share. Present customer performance is satisfactory, but could be adversely affected by developing collateral quality/ adequacy etc.

Risk Rating 7

Very high risk – Generally undesirable business constituting an undue and unwarranted credit risk but not to the point of justifying a substandard classification. No loss of principal or profit has taken place. Potential weakness might include a weakening financial condition, an unrealistic repayment program, inadequate sources of funds, or a lack of adequate collateral, credit information or documentation. The entity is undistinguished and mediocre. No new or incremental credits will generally be considered for this category.

Risk Rating 8

Substandard – Obligors in default and 90 Days Past Due on repayment of their obligations. Unacceptable business credit. Normal repayment is in jeopardy, and there exists well defined weakness in support of the same. The asset is inadequately protected by the current net worth and paying capacity of the obligor or pledged collateral. Specific provision raised as an estimate of potential loss.

Risk Rating 9

Doubtful – Obligors in default and 180 Days Past Due (DPD) on their contracted obligations, however in the opinion of the management recovery/salvage value against corporate and real estate obligors is a possibility, and hence write-off should be deferred. Full repayment questionable. Serious problems exist to the point where a partial loss of principle is likely. Weaknesses are so pronounced that on the basis of current information, conditions and values, collection in full is highly improbable. Specific provision raised as an estimate of potential loss. However, for retail obligors (except real estate) and credit cards, total loss is expected. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

Risk Rating 10

Loss - Obligors in default and 360 Days Past Due (DPD) on their obligations. Total loss is expected. An uncollectible assets which does not warrant classification as an active asset. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

(iv) 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.

For Corporate portfolio, the Group's assessment of significant increase in credit risk is based on facility level except for watch-list accounts, whereby the Group's assessment is based on counterparty. Significant increase in credit risk assessment for retail financing is carried out at customer level within same product family. All the exposures which are considered to have significantly increased in credit risk are subject to lifetime ECL.

The Group considers all investment grade Sukuk issued by sovereigns including Gulf Corporation Council (GCC) countries to have low credit risk.

(v) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, quantitative changes in PDs , delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on quantitative assessment and/or using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

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).

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorised in this stage based on the actual/expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 or more is assumed to be stage 3.

(vi) Modified financial assets

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

The Group renegotiates finances to customers in financial difficulties (referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, finance forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

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 12 months before the exposure is no longer considered to be credit-impaired/in default.

(vii) Definition of "Default"

The Group considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the customer 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.

(viii) Modified financial assets

In assessing whether a customer 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.

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

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

(ix) Incorporation of forward looking information

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

The Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

	Forecast calendar years used in 2022 ECL model		
Economic indicators	2023	2024	2025
Yearly growth in oil price (%)	(12.90)	(6.20)	(4.90)
General Government net lending (% of GDP)	3.87	4.07	4.09
Investment (% of GDP)	22.52	23.77	24.68
Current account balance to GDP (%)	12.31	10.22	8.05
Crude oil production average daily (million barrel)	11	11.1	11.2
Gross national savings to GDP (YoY) growth (%)	(5.40)	(2.40)	(3.70)
General Government revenue (% of GDP)	31.60	31.80	31.80

The table below shows the change in economic indicators to the ECL computed under three different scenarios used by the Group:

31 December 2022	Due from Bank and other financial institutions (SAR '000)	Investment (SAR '000)	Financing (SAR '000)	Off balance sheet items (SAR '000)	Total (SAR '000)
Most likely (Base case)	4,810	43,512	8,027,658	433,532	8,509,512
More optimistic (Upside)	4,041	36,659	7,100,464	389,080	7,530,244
More pessimistic (Downside)	9,235	83,190	8,861,512	452,791	9,406,728

(x) Measurement of ECL

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, CCF and discount rate.

The key inputs into the measurement of ECL are the term structure of the following variables:

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. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

For Corporate and Retail portfolio, bank uses internal LGD models to arrive at the LGD estimates.

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 amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, 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. The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

(xi) Credit quality analysis

(a) The following table sets out information about the credit quality of financings measured at amortised cost as at 31 December:

2022	12 month ECL (SAR '000)	Life time ECL not credit impaired (SAR '000)	Life time ECL credit impaired (SAR '000)	Total (SAR '000)
Carrying amount distribution by Grades				
Grade 1-3/(Aaa – A3)	**36,264,588**	**–**	**–**	**36,264,588**
Grade (4-6)/(Baa1 – B3)	**99,605,470**	**2,142,839**	**–**	**101,748,309**
Grade 7 – Watch list/(Caa1 – C)	**–**	**2,104,816**	**–**	**2,104,816**
Credit impaired	**–**	**–**	**1,427,693**	**1,427,693**
Total corporate performing and non-performing	**135,870,058**	**4,247,655**	**1,427,693**	**141,545,406**
Total retail (un-rated)	**426,179,577**	**5,328,999**	**3,311,790**	**434,820,366**
Total carrying amount	**562,049,635**	**9,576,654**	**4,739,483**	**576,365,772**

2021	12 month ECL (SAR '000)	Life time ECL not credit impaired (SAR '000)	Life time ECL credit impaired (SAR '000)	Total (SAR '000)
Carrying amount distribution by Grades				
Grade 1-3/(Aaa – A3)	10,983,194	–	–	10,983,194
Grade (4-6)/(Baa1 – B3)	73,375,643	2,358,621	–	75,734,264
Grade 7 – Watch list/(Caa1 – C)	–	2,850,570	–	2,850,570
Credit impaired	–	–	1,510,003	1,510,003
Total corporate performing and non-performing	84,358,837	5,209,191	1,510,003	91,078,031
Total retail (un-rated)	363,935,472	4,348,687	2,666,621	370,950,780
Total carrying amount	448,294,309	9,557,878	4,176,624	462,028,811

(xii) Financings

(a) The net financing concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2022	Performing (SAR '000)	Non-performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Description				
Government	**23,936,681**	**–**	**–**	**23,936,681**
Commercial	**41,260,020**	**526,732**	**(299,207)**	**41,487,545**
Industrial	**34,166,854**	**529,768**	**(509,390)**	**34,187,232**
Building and construction	**6,275,190**	**5,314**	**(2,918)**	**6,277,586**
Consumer	**432,923,861**	**1,896,504**	**(1,228,793)**	**433,591,572**
Services	**17,658,812**	**125,683**	**(70,192)**	**17,714,303**
Agriculture and fishing	**689,565**	**112**	**(65)**	**689,612**
Finance, Insurance and Investments	**13,257,584**	**210**	**(115)**	**13,257,679**
Others	**3,112,488**	**394**	**(228)**	**3,112,654**
Total	**573,281,055**	**3,084,717**	**(2,110,908)**	**574,254,864**
12 month and life time ECL not credit impaired	**–**	**–**	**(5,916,750)**	**(5,916,750)**
Balance	**573,281,055**	**3,084,717**	**(8,027,658)**	**568,338,114**

2021	Performing (SAR '000)	Non-performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Description				
Government	425,234	–	–	425,234
Commercial	31,876,867	534,425	(418,563)	31,992,729
Industrial	33,155,260	137,392	(104,470)	33,188,182
Building and construction	3,263,753	709,105	(668,271)	3,304,587
Consumer	369,450,685	1,500,096	(1,163,714)	369,787,067
Services	11,808,262	113,321	(70,417)	11,851,166
Agriculture and fishing	478,209	245	(211)	478,243
Finance, Insurance and Investments	6,571,766	109	(109)	6,571,766
Others	1,988,675	15,407	(14,248)	1,989,834
Total	459,018,711	3,010,100	(2,440,003)	459,588,808
12 month and life time ECL not credit impaired	–	–	(6,758,151)	(6,758,151)
Balance	459,018,711	3,010,100	(9,198,154)	452,830,657

(b) The table below sets out gross balances of individually impaired financing, together with the fair value of related collateral held by the Group as at 31 December:

2022	Total (SAR '000)
Individually impaired financing	**3,084,717**
Fair value of collateral	**1,631,244**

2021	Total (SAR '000)
Individually impaired financing	3,010,100
Fair value of collateral	1,060,649

(c) The banks in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the financings. 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 financings and are managed against relevant exposures at their net realisable values. For financial assets that are credit impaired at the reporting year, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. The outstanding credit impaired financing facility balances, that are covered by collateral, as of December 31 is as follows:

	2022 (SAR '000)	2021 (SAR '000)
Less than 50%	**213,861**	26,830
51-70%	**357,687**	107,023
More than 70%	**1,668,621**	581,717
Total exposure	**2,240,169**	715,570

(b) Settlement risk

The Group is also exposed to settlement risk in its dealings with other financial institutions. This risk arises when the Group pays its side of the transaction to the other bank or counterparty before receiving payment from the third party. The risk is that the third party may not pay its obligation. While these exposures are short in duration, they can be significant. The risk is mitigated by dealing with highly rated counterparties, holding collateral and limiting the size of the exposures according to the risk rating of the counterparty.

(c) Risk limit control and mitigation policies

The responsibility for credit risk management is enterprise-wide in scope. Strong risk management is integrated into daily processes, decision making and strategy setting, thereby making the understanding and management of credit risk the responsibility of every business segment.

The following business units within the Group assist in the credit control process:

- Corporate Credit Unit.
- Credit Administration, Monitoring and Control Unit.
- Remedial Unit.
- Credit Policy Unit.
- Retail Credit Unit.

The monitoring and management of credit risk associated with these financing are made by setting approved credit limits. The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual customers and groups, and to industries and countries.

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors.

The Group manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the executive committee.

Exposure to credit risk is also managed through regular analysis on the ability of customers and potential customers to meet financial and contractual repayment obligations and by revising credit limits where appropriate.

Some other specific control and mitigation measures are outlined below:

The Group implements guidelines on the level and quality of specific classes of collateral, The principal collateral types are:

- Mortgages over residential and commercial properties.
- Cash, shares, and general assets for customer.
- Shares for Murabaha (collateralised share trading) transactions.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as traditional banking products of the Group.

Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying goods to which they relate, and therefore, risk is partially mitigated.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of further financing products, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

(d) Impairment and provisioning policies

The table below sets out the maximum exposure to credit risk at the reporting date without considering collateral or other credit enhancements and includes the off-balance sheet financial instruments involving credit risks as at 31 December:

On-balance sheet items	2022 (SAR '000)	2021 (SAR '000)
Investments, net:		
Murabaha with Saudi Government and SAMA	**22,696,693**	22,611,987
Sukuk	**74,016,436**	51,764,416
Structured Products	**1,882,883**	1,788,765
Due from banks and other financial institutions	**25,655,929**	26,065,392
Financing, net		
Corporate	**138,322,132**	87,081,308
Retail	**430,015,982**	365,749,349
Other financial assets		
Receivables, net	**3,927,978**	2,961,252
Total on-balance sheet items	**696,518,033**	558,022,469
Off-balance sheet items:		
Letters of credit and acceptances	**9,349,666**	12,944,797
Letters of guarantee	**14,902,966**	857,560
Irrevocable commitments to extend credit	**15,624,088**	11,284,872
Total off-balance sheet items	**39,876,720**	25,087,229
Maximum exposure to credit risk	**736,394,753**	583,109,698

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

(2) Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and financing parties and fulfill financing commitments. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. Diverse funding sources available to the Group help mitigate this risk. Assets are managed with liquidity in mind, maintaining a conservative balance of cash and cash equivalents.

Liquidity risk management process

The Group's liquidity management process is as monitored by the Group's Asset and Liabilities Committee (ALCO), and includes:

- Day-to-day funding, managed by Treasury to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining diversified funding sources; and
- Liquidity management and asset and liability mismatching.

Monitoring and reporting take the form of analysing cash flows of items with both contractual and non-contractual maturities. The net cash flows are measured to ensure that they are within acceptable ranges. The Treasury/ ALCO also monitors the level and type of undrawn financing commitments, usage of overdraft facilities and the potential impact of contingent liabilities such as standby letters of credit and guarantees may have on the Group's liquidity position.

The tables below summarises the maturity profile of the Group's assets and liabilities, on the basis of the remaining maturity as of the consolidated statement of financial position date to the contractual maturity date.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. Assets available to meet liabilities and to cover outstanding financing commitments include cash, balances with SAMA and due from banks. Further, in accordance with the Banking Control Law and Regulations issued by SAMA, the Group maintains a statutory deposit equal to a sum not less than 7% of total customers' deposits, and 4% of total other customers' accounts. In addition to the statutory deposit, the Group maintains a liquid reserve of not less than 20% of the deposit liabilities, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days. Also, the Group has the ability to raise additional funds through special financing arrangements with SAMA including deferred sales transactions.

The contractual maturities of financial assets and liabilities as of 31 December based on undiscounted cash flows are as follows. The table below reflects the expected cash flows indicated by the deposit retention history of the Group. Management monitors a rolling forecast of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the Group and based on the pattern of historical deposit movements. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

2022	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets						
Cash and balance with SAMA and other central banks	2,053,000	–	–	–	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	3,553,814	1,276,315	–	4,765,889	25,655,929
Financing, net						
Mutajara	21,475,546	29,189,031	35,819,350	30,122,521	–	116,606,448
Installment sale	12,471,245	41,786,521	180,485,205	190,878,459	–	425,621,430
Murabaha	3,928,278	4,797,146	6,750,486	5,763,644	–	21,239,554
Credit cards	2,160,591	1,153,869	1,533,068	23,154	–	4,870,682
Investments, net						
Investment in an associate	–	–	–	–	820,717	820,717
Investments held at amortised cost	4,404,581	1,902,829	33,079,327	54,908,903	–	94,295,640
FVIS investments	–	514,550	232,611	121,481	2,399,169	3,267,811
FVOCI investments	–	17,547	339,228	1,301,771	2,103,428	3,761,974
Other assets, net	–	–	–	–	24,173,341	24,173,341
Total	62,553,152	82,915,307	259,515,590	283,119,933	74,262,040	762,366,022
Liabilities						
Due to banks and other financial institutions	46,021,351	11,210,562	12,263,466	–	1,343,738	70,839,117
Demand deposits and call accounts	–	–	–	–	351,549,468	351,549,468
Customers' time investments	126,617,444	48,379,543	7,938,345	19,103,928	–	202,039,260
Other customer accounts	–	–	–	–	11,335,960	11,335,960
Other liabilities	–	–	–	–	26,377,182	26,377,182
Total Liabilities	172,638,795	59,590,105	20,201,811	19,103,928	390,606,348	662,140,987
Gap	(110,085,643)	23,325,202	239,313,779	264,016,005	(316,344,308)	100,225,035

2021	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets						
Cash and balance with SAMA and other central banks	5,799,920	–	–	–	34,563,529	40,363,449
Due from banks and other financial institutions	10,680,328	8,531,326	4,797,197	–	2,056,541	26,065,392
Financing, net	–					
Mutajara	18,781,527	19,227,767	20,892,884	6,810,429	–	65,712,607
Installment sale	16,206,795	36,367,900	161,495,958	150,379,014	–	364,449,667
Murabaha	1,104,177	4,959,183	6,384,504	6,702,086	–	19,149,950
Credit cards	1,452,961	881,980	1,172,832	10,660	–	3,518,433
Investments, net						
Investment in an associate	–	–	–	–	295,253	295,253
Investments held at amortised cost	–	1,459,651	32,470,004	37,753,111	–	71,682,766
FVIS investments	–	–	821,445	–	2,650,605	3,472,050
FVOCI investments	488,205	–	1,143,739	2,029,013	5,322,369	8,983,326
Other assets, net	–	–	–	–	19,951,735	19,951,735
Total	54,513,913	71,427,807	229,178,563	203,684,313	64,840,032	623,644,628
Liabilities						
Due to banks and other financial institutions	7,805,606	2,698,866	5,698,537	–	1,749,131	17,952,140
Demand deposits and call accounts	–	–	–	–	374,725,352	374,725,352
Customers' time investments	72,910,255	53,893,319	3,469,487	20,000	–	130,293,061
Other customer accounts	–	–	–	–	7,053,800	7,053,800
Other liabilities	–	–	–	–	26,338,711	26,338,711
Total Liabilities	80,715,861	56,592,185	9,168,024	20,000	409,866,994	556,363,064
Gap	(26,201,948)	14,835,622	220,010,539	203,664,313	(345,026,962)	67,281,564

The following tables disclose the maturity of contractual financial liabilities on undiscounted cash flows as at 31 December:

2022	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Due to banks and other financial institutions	**46,021,351**	**11,210,562**	**12,263,466**	**–**	**1,343,738**	**70,839,117**
Customer deposits	**126,617,445**	**48,379,543**	**7,938,345**	**19,103,928**	**362,885,427**	**564,924,688**
Other liabilities	**–**	**–**	**–**	**–**	**26,377,182**	**26,377,182**
Total	**172,638,796**	**59,590,105**	**20,201,811**	**19,103,928**	**390,606,347**	**662,140,987**

The cumulative maturities of commitments and contingencies are given in Note 18-c-1 of the consolidated financial statements.

2021	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Due to banks and other financial institutions	7,805,606	2,698,866	5,698,537	–	1,749,131	17,952,140
Customer deposits	72,910,255	53,893,319	3,469,487	20,000	381,779,152	512,072,213
Other liabilities	–	–	–	–	26,338,711	26,338,711
Total	80,715,861	56,592,185	9,168,024	20,000	409,866,994	556,363,064

The cumulative maturities of commitments and contingencies are given in Note 18-c-1 of the consolidated financial statements.

(3) Market risks

The Group is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks arise on profit rate products, foreign currency and mutual fund products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and quoted market prices.

Market risk exposures are monitored by Treasury/ Credit and Risk department and reported to ALCO on a monthly basis. ALCO deliberates on the risks taken and ensures that they are appropriate.

(a) Market risks – banking operations

Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortised cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

Profit rate risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits for stipulated periods. The Group monitors positions daily and uses gap management strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Group's consolidated statement of income or shareholders' equity. The sensitivity of the income is the effect of the assumed changes in profit rates on the net income for one year, based on the gross financing and investment assets held as at 31 December 2022 and 2021. All the banking book exposures are monitored and analysed in currency concentrations, and relevant sensitivities are disclosed in SAR million.

2022

Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	+25	398	369	409	335

Currency	Decrease in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	-25	(398)	(369)	(409)	(335)

2021

Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	+25	332	312	332	288

Currency	Decrease in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	-25	(332)	(312)	(332)	(288)

Profit rate movements affect reported consolidated shareholders' equity through retained earnings, i.e. increases or decreases in financing and investment income.

Yield sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The Board sets limits on the level of mismatch of profit rate repricing that may be undertaken, which is monitored daily by Bank Treasury.

The table below summarises the Group's exposure to profit rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2022	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets							
Cash and balance with SAMA and other central banks	2,053,000	–	–	–	–	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	2,916,990	636,824	1,276,315	–	4,765,889	25,655,929
Investments, net							
Investment in an associate	–	–	–	–	–	820,717	820,717
Investments held at amortised cost	26,680,925	1,902,338	1,101,300	7,357,874	57,253,203	–	94,295,640
FVIS investments	–	502,534	–	232,611	133,497	2,399,169	3,267,811
FVOCI investments	–	–	17,547	339,228	1,301,771	2,103,428	3,761,974
Financing, net							
Mutajara	47,052,773	26,094,519	11,186,546	21,352,849	10,919,761	–	116,606,448
Installment sale	27,306,058	25,954,950	47,333,886	173,495,484	151,531,052	–	425,621,430
Murabaha	9,648,698	8,850,349	1,834,282	457,351	448,874	–	21,239,554
Credit cards	2,160,444	384,673	769,343	1,533,068	23,154	–	4,870,682
Other assets, net	–	–	–	–	–	24,173,341	24,173,341
Total assets	130,961,809	66,606,353	62,879,728	206,044,780	221,611,312	74,262,040	762,366,022

2022	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Liabilities							
Due to banks and other financial institutions	46,019,431	9,317,265	1,893,297	12,263,466	1,920	1,343,738	70,839,117
Demand deposits and call accounts	–	–	–	–	–	351,549,468	351,549,468
Customers' time investments	126,617,538	15,254,614	33,124,835	7,938,345	19,103,928	–	202,039,260
Other customer accounts	–	–	–	–	–	11,335,960	11,335,960
Other liabilities	–	–	–	–	–	26,377,182	26,377,182
Total Liabilities	172,636,969	24,571,879	35,018,132	20,201,811	19,105,848	390,606,348	662,140,987
Shareholders' equity	–	–	–	–	–	100,225,035	100,225,035
Gap	(41,675,160)	42,034,474	27,861,596	185,842,969	202,505,464	(416,569,343)	–
Profit Rate Sensitivity – On Consolidated Statement of Financial Positions	(41,675,160)	42,034,474	27,861,596	185,842,969	202,505,464	(416,569,343)	–
Profit Rate Sensitivity – Off Consolidated Statement of Financial Positions	369,491	147,022	361,733	66,020	9,510	–	953,776
Total Profit Rate Sensitivity Gap	(42,044,651)	41,887,452	27,499,863	185,776,949	202,495,954	(416,569,343)	(953,776)
Cumulative Profit Rate Sensitivity Gap	(42,044,651)	(157,199)	27,342,664	213,119,613	415,615,567	(953,776)	–

2021	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets							
Cash and balance with SAMA and other central banks	5,799,758	–	–	–	–	34,563,691	40,363,449
Due from banks and other financial institutions	11,531,741	4,606,477	3,379,876	4,490,757	–	2,056,541	26,065,392
Investments, net							
Investment in an associate	–	–	–	–	–	295,253	295,253
Investments held at amortised cost	26,455,000	3,667,505	–	7,749,046	33,811,215	–	71,682,766
FVIS investments	–	32,680	–	788,765	–	2,650,605	3,472,050
FVOCI investments	488,205	648,050	–	259,039	2,265,663	5,322,369	8,983,326
Financing, net							
Mutajara	28,281,674	23,307,071	5,877,092	6,409,798	1,836,972	–	65,712,607
Installment sale	36,467,842	23,238,717	38,206,456	145,219,264	121,317,388	–	364,449,667
Murabaha	6,438,635	7,919,605	2,888,693	183,487	1,719,530	–	19,149,950
Credit cards	1,452,873	294,023	588,045	1,172,832	10,660	–	3,518,433
Other assets, net	–	–	–	–	–	19,951,735	19,951,735
Total assets	116,915,728	63,714,128	50,940,162	166,272,988	160,961,428	64,840,194	623,644,628
Liabilities							
Due to banks and other financial institutions	6,217,633	2,664,761	527,693	6,792,922	–	1,749,131	17,952,140
Demand deposits and call accounts	–	–	–	–	–	374,725,352	374,725,352
Customers' time investments	72,900,341	27,547,100	26,337,227	3,488,168	20,225	–	130,293,061
Other customer accounts	–	–	–	–	–	7,053,800	7,053,800
Other liabilities	–	–	–	–	–	26,338,711	26,338,711
Total Liabilities	79,117,974	30,211,861	26,864,920	10,281,090	20,225	409,866,994	556,363,064

2021	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Shareholders' equity	–	–	–	–	–	67,281,564	67,281,564
Gap	37,797,754	33,502,267	24,075,242	155,991,898	160,941,203	(412,308,364)	–
Profit Rate Sensitivity – On Consolidated Statement of Financial Positions	37,797,754	33,502,267	24,075,242	155,991,898	160,941,203	(412,308,364)	–
Profit Rate Sensitivity – Off Consolidated Statement of Financial Positions	90,684	96,174	248,178	41,380	7,065	–	483,481
Total Profit Rate Sensitivity Gap	37,707,070	33,406,093	23,827,064	155,950,518	160,934,138	(412,308,364)	(483,481)
Cumulative Profit Rate Sensitivity Gap	37,707,070	71,113,163	94,940,227	250,890,745	411,824,883	(483,481)	–

Foreign currency risks

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group management has set limits on positions by currencies, which are regularly monitored 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 31 December 2022 and 2021, on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonably possible movements 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. A positive effect shows a potential increase in the consolidated statement of income or consolidated shareholders' equity, whereas a negative effect shows a potential net reduction in the consolidated statement of income or consolidated statement of changes in shareholders' equity.

Currency Exposures As at 31 December 2022	Change in currency rate in %	Effect on net income (SAR '000)	Effect on equity (SAR '000)
US Dollar	**+/-2**	**23,041**	**23,041**
Indian Rupee	**+/-5**	**6,366**	**6,366**
Malaysian Ringgit	**+/-5**	**59,469**	**59,469**
Jordanian Dinar	**+/-5**	**27,519**	**27,519**
Kuwaiti Dinar	**+/-5**	**21,862**	**21,862**

Currency Exposures As at 31 December 2021	Change in currency rate in %	Effect on net income (SAR '000)	Effect on equity (SAR '000)
US Dollar	+/-2	41,005	41,005
Indian Rupee	+/-5	3,045	3,045
Malaysian Ringgit	+/-5	45,630	45,630
Jordanian Dinar	+/-5	25,874	25,874
Kuwaiti Dinar	+/-5	19,502	19,502

Currency position

The Group manages exposure to the 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 both overnight and intra-day positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2022 Long/(short) (SAR '000)	2021 Long/(short) (SAR '000)
US Dollar	**1,152,067**	2,050,261
Jordanian Dinar	**550,388**	517,473
Kuwaiti Dinar	**437,238**	390,037
Indian Rupee	**127,326**	60,905
Malaysian Ringgit	**1,189,385**	912,599
Others	**381,833**	267,293
Total	**3,838,237**	4,198,568

(b) Price risk

The Group has certain investments which are carried at fair value through the income statement (FVIS) and fair value through other comprehensive income (FVOCI). Price risk arises due to changes in these investments.

As these investments are in a limited number of funds and are not significant to the total investment portfolio, the Group monitors them periodically and determines the risk of holding them based on changes in market prices.

Other investments have little or no risks as these are bought for immediate sales. Investments are made only with a confirmed sale order, and therefore involve minimal risk.

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 reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's equity investments held as FVOCI due to reasonably possible changes in equity indices, with all other variables held constant, as at 31 December is as follows:

	2022		2021	
Local Market Indices	Change in Equity price %	Effect in SAR Mn.	Change in Equity price %	Effect in SAR Mn.
Equity investments	**+ /- 10**	**+/- 35,874**	+ /- 10	+/- 514,895

(c) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events.

Operational risk is inherent in most of the Group's activities. This necessitates an integrated approach to the identification, measurement and monitoring of operational risk.

An Operational Risk Management Unit (ORMU) has been established within the Credit and Risk Management Group, which facilitates the management of Operational Risk within the Group. ORMU facilitates the management of Operational Risk by setting policies, developing systems, tools and methodologies, overseeing their implementation and use within the business units and providing ongoing monitoring and guidance across the Group.

The three primary operational risk management processes in the Group are Risk Control Self-Assessment, Operational Loss Database and eventual implementation of Key Risk Indicators which are designed to function in a mutually reinforcing manner.

(d) Impact of climate risk on accounting judgements and estimates

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transitions risks:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. Refer to Note 31 below where this is evidenced in the analysis of the contractual maturities. Where the maturity of the exposures is longer than the estimated time horizon for climate risk impact, for example, for those assets with a longer maturity, the nature of the counterparties was assessed. This assessment showed that for these assets, the nature of the counterparties as described above would limit any material impact. Refer to note 31 below where credit risk per industry segment is disclosed. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Classification of ESG-linked (or sustainability-linked) financing and Sukuks: For financing and Sukuks with sustainability-linked features, the Group determines whether the instrument passes the solely payments of principal and profit test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements. Some features may be de minimis or non-genuine. Based on the size of the portfolio of these products held by the Group at 31 December 2022, any impact was assessed to be immaterial.

Fair value measurement: The Group has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Group has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group is making progress on embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Group is re-evaluating its model landscape to incorporate climate-related risks and their impact on customer's credit risk.

The impact of climate related risks has been assessed on a number of reported amounts and the accompanying disclosures.

32 Geographical concentration

(a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows:

2022	Kingdom of Saudi Arabia (SAR '000)	Other GCC and Middle East (SAR '000)	North America (SAR '000)	South East Asia (SAR '000)	Other country (SAR '000)	Total (SAR '000)
Assets						
Cash and balances with SAMA and other central banks	41,330,219	51,650	595,398	5,789	69,440	42,052,496
Due from banks and other financial institutions	7,289,327	12,320,248	8,961	892,388	5,145,005	25,655,929
Financing, net						
Mutajara	115,164,585	1,441,863	–	–	–	116,606,448
Installment sale	420,698,623	3,665,800	–	1,257,007	–	425,621,430
Murabaha	14,938,663	203,718	–	6,097,173	–	21,239,554
Credit cards	4,852,417	18,174	–	91	–	4,870,682
Investments, net						
Investment in an associate	820,717	–	–	–	–	820,717
Investments held at amortised cost	86,777,113	5,780,440	–	1,204,193	533,894	94,295,640
FVIS Investments	2,992,360	–	–	–	275,451	3,267,811
FVOCI investments	1,832,608	254,060	–	1,675,306	–	3,761,974
Total assets	696,696,632	23,735,953	604,359	11,131,947	6,023,790	738,192,681
Liabilities						
Due to banks and other financial institutions	66,462,911	171,512	–	4,204,694	–	70,839,117
Customer deposits	552,976,747	6,591,393	–	5,356,548	–	564,924,688
Total liabilities	619,439,658	6,762,905	–	9,561,242	–	635,763,805
Commitments and contingencies	32,690,438	160,370	–	3,927,813	3,098,099	39,876,720
Credit exposure (stated at credit equivalent value)	11,696,477	–	–	3,927,611	–	15,624,088

2021	Kingdom of Saudi Arabia (SAR '000)	Other GCC and Middle East (SAR '000)	North America (SAR '000)	South East Asia (SAR '000)	Other country (SAR '000)	Total (SAR '000)
Assets						
Cash and balances with SAMA and other central banks	39,842,383	86,663	368,698	17,579	48,126	40,363,449
Due from banks and other financial institutions	7,586,983	15,604,674	758,132	1,517,932	597,671	26,065,392
Financing, net						
Mutajara	64,370,413	1,342,194	–	–	–	65,712,607
Installment sale	359,677,856	3,568,681	–	1,203,130	–	364,449,667
Murabaha	14,661,090	302,171	–	4,186,689	–	19,149,950
Credit cards	3,511,798	6,518	–	117	–	3,518,433
Investments, net						
Investment in an associate	295,253	–	–	–	–	295,253
Investments held at amortised cost	66,272,409	4,809,311	–	601,046	–	71,682,766
FVIS Investments	3,183,280	–	–	–	288,770	3,472,050
FVOCI investments	7,256,385	20,908	–	1,706,033	–	8,983,326
Total assets	566,657,850	25,741,120	1,126,830	9,232,526	934,567	603,692,893
Liabilities						
Due to banks and other financial institutions	14,916,740	862,015	1,157,182	1,016,203	–	17,952,140
Customer deposits	499,872,716	5,712,243	–	6,487,254	–	512,072,213
Total liabilities	514,789,456	6,574,258	1,157,182	7,503,457	–	530,024,353
Commitments and contingencies	16,601,812	1,758,776	8,115	2,480,106	4,238,420	25,087,229
Credit exposure (stated at credit equivalent value)	8,926,470	–	–	2,358,402	–	11,284,872

(b) The distributions by geographical concentration of non-performing financing and allowance for impairment of financing are as follows:

2022	Kingdom of Saudi Arabia (SAR '000)	GCC and Middle East (SAR '000)	South East Asia (SAR '000)	Total (SAR '000)
Non-performing				
Mutajara	**668,196**	**5,939**	**–**	**674,135**
Installment sale	**2,285,460**	**45,140**	**19,867**	**2,350,467**
Murabaha	**–**	**–**	**32,063**	**32,063**
Credit cards	**28,052**	**–**	**–**	**28,052**
Allowance for impairment of financing				
Mutajara	**(3,178,690)**	**(35,697)**	**–**	**(3,214,387)**
Installment sale	**(4,485,681)**	**(67,547)**	**(62,867)**	**(4,616,095)**
Murabaha	**–**	**–**	**(56,524)**	**(56,524)**
Credit cards	**(140,583)**	**(69)**	**–**	**(140,652)**

2021	Kingdom of Saudi Arabia (SAR '000)	GCC and Middle East (SAR '000)	South East Asia (SAR '000)	Total (SAR '000)
Non-performing				
Mutajara	1,415,129	53,884	–	1,469,013
Installment sale	1,431,779	35,603	13,488	1,480,870
Murabaha	–	–	36,520	36,520
Credit cards	23,697	–	–	23,697
Allowance for impairment of financing				
Mutajara	(3,922,922)	(36,834)	–	(3,959,756)
Installment sale	(4,870,326)	(72,677)	(35,510)	(4,978,513)
Murabaha	–	–	(61,718)	(61,718)
Credit cards	(198,102)	(65)	–	(198,167)

Refer to Note 7-1a for performing financing.

33 Fair values of financial assets and liabilities

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1:
quoted prices in active markets for the same instrument (i.e. without modification or additions).

Level 2:
quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3:
valuation techniques for which any significant input is not based on observable market data.

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 takes place either:

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

2022	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,214,056	–	2,214,056	–	2,214,056
FVOCI – Equity investments	358,744	334,406	–	24,338	358,744
FVIS – Equity investments	156,613	156,613	–	–	156,613
FVIS Sukuk	159,591	–	159,591	–	159,591
FVOCI Sukuk	3,292,010	564,252	2,727,758	–	3,292,010
FVIS Structured Products	737,551	–	–	737,551	737,551
FVOCI Structured Products	111,438	–	–	111,438	111,438
Positive fair value Shariah compliant derivatives	1,703,536	–	1,703,536	–	1,703,536
Financial assets not measured at fair value:					
Due from banks and other financial institutions	25,655,929	–		25,619,542	25,619,542

2022	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Investments held at amortised cost:					
Murabaha with Saudi Government and SAMA	22,696,693	–	23,295,550	–	23,295,550
Sukuk	70,608,347	55,096,083	9,881,547	–	64,977,630
Structured Products	1,033,894	–	–	1,033,894	1,033,894
Gross Financing	576,365,772	–	–	570,324,419	570,324,419
Total	705,094,174	56,151,354	39,982,038	597,851,182	693,984,574
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	1,677,643	–	1,677,643	–	1,677,643
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	70,839,117	–	–	71,410,981	71,410,981
Customers' deposits	564,924,688	–	–	567,439,463	567,439,463
Total	637,441,448	–	1,677,643	638,850,444	640,528,087

2021	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,650,605	–	2,650,605	–	2,650,605
FVOCI – Equity investments	5,148,946	5,124,587	–	24,359	5,148,946
FVIS Sukuk	32,680	–	32,680	–	32,680
FVOCI Sukuk	3,834,641	–	3,834,641	–	3,834,641
FVIS Structured Products	788,765	–	–	788,765	788,765
Positive fair value Shariah compliant derivatives	208,582	–	208,582	–	208,582

2021	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial assets not measured at fair value:					
Due from banks and other financial institutions	26,065,392	–	–	26,181,679	26,181,679
Investments held at amortised cost:					
Murabaha with Saudi Government and SAMA	22,611,987	–	22,900,999	–	22,900,999
Sukuk	48,102,603	–	49,324,606	–	49,324,606
Structured Products	1,000,000	–	–	1,038,043	1,038,043
Gross Financing	462,028,811	–	–	478,238,097	478,238,097
Total	572,473,012	5,124,587	78,952,113	506,270,943	590,347,643
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	167,635	–	167,635	–	167,635
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	17,952,140	–	–	18,198,581	18,198,581
Customers' deposits	512,072,213	–	–	511,991,640	511,991,640
Total	530,191,988	-	167,635	530,190,221	530,357,856

FVIS investments classified as level 2 include mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) at fair market value as at the date of statement of consolidated financial position.

For the level 2 Sukuk investments, the Group uses values obtained from reputable third parties where they use valuation techniques. Those valuation techniques use observable market inputs embedded in the models that include risk adjusted discount rates, marketability and liquidity discounts.

For the level 3 structure products investments are valued using reputable third parties valuation prices, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

Gross financing and Due to banks and other financial institutions classified as level 3 has been valued using expected cash flows discounted at relevant current effective profit rate. Investments held at amortised cost, due to/from banks and other financial institutions have been valued using the actual cash flows discounted at relevant SIBOR/SAMA murabaha rates.

The value obtained from the relevant valuation model may differ from the transaction price of a financial instrument. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realised through disposal. Subsequent changes in fair value are recognised immediately in the consolidated statement of income without reversal of deferred day one profits and losses. During the current year, no financial assets/ liabilities have been transferred between level 1 and/or level 2 of the fair value hierarchy.

34 Related party transactions

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions as at and for the year ended 31 December are as follows:

	2022 (SAR '000)	2021 (SAR '000)
Related parties		
Members of the Board of Directors		
Mutajara	**211,526**	172,442
Current accounts	**389,941**	376,377
Companies and establishments guaranteed by members of the Board of Directors		
Mutajara	**8,859,710**	12,127,165
Contingent liabilities (*)	**4,999,867**	4,664,225
Associate		
Contributions payable	**121,709**	116,038
Receivable against claims	**275,418**	332,173
Bank balances	**168,727**	253,332
Subsidiaries		
Al Rajhi Capital Company		
Financing	**1,500,000**	220,000
Accrued Payable on Financing	**27,870**	784
Emkan Finance Company		
Financing	**3,920,030**	3,775,000
Accrued Payable on Financing	**451,382**	157,200

(*) = off balance sheet items.

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements for the years ended 31 December are as follows:

	2022 (SAR '000)	2021 (SAR '000)
Income from financing and other financial assets	**293,015**	171,103
Mudaraba Fees	**130,028**	84,308
Employees' salaries and benefits (air tickets)	**2,666**	1,061
Rent and premises related expenses	**2,313**	2,119
Contribution – policies written	**554,460**	709,180
Claims incurred and notified during the year	**373,090**	661,300
Claims paid	**349,542**	498,565
Board of Directors' remunerations	**5,921**	5,948

The amounts of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the years ended 31 December are as follows:

	2022 (SAR '000)	2021 (SAR '000)
Short-term benefits	**130,284**	104,038
Provision for employees' end of service benefits	**2,241**	3,679

The executive management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

35 Mudaraba funds

Mudaraba funds comprise the following as at 31 December:

	2022 (SAR '000)	2021 (SAR '000)
Customers' Mudaraba and investments	**24,636,110**	37,458,437
Total	**24,636,110**	37,458,437

36 Special commissions excluded from the consolidated statement of income

The following represents the movements in charities account, which is included in other liabilities (see Note 15) for the year ended 31 December:

	2022 (SAR '000)	2021 (SAR '000)
Balance at beginning of the year	**29,771**	8,885
Additions during the year	**27,855**	36,616
Payments made during the year	**(51,551)**	(15,730)
Balance at end of the year	**6,075**	29,771

37 Investment management services

The Group offers investment services to its customers. The Group has established a number of Mudaraba funds in different investment aspects. These funds are managed by the Group's Investment Department, and a portion of the funds is also invested in participation with the Group. The Group also offers investment management services to its customers through its subsidiary, which include management of funds with total assets under management of SAR 50,459 Mn. (2021: SAR 58,255 Mn.). The mutual funds are not controlled by the Group and neither are under significant influence to be considered as associates/subsidiaries. Mutual funds' financial statements are not included in the consolidated financial statements of the Group. The Group's share of investments in these funds is included under investments, and is disclosed under related party transactions. Funds invested by the Group in those investment funds amounted to SAR 27 Mn. at 31 December 2022 (2021: SAR 683 Mn.).

38 Capital adequacy

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management. SAMA requires to hold and maintain ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum.

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting provisions under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity

Tier I (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

Starting June 2021, the Group has opted to apply SAMA allowance to recognise 100% of IFRS9 transitional adjustment amount in the bank's Common Equity Tier I (CET 1) which resulted in an increase of SAR 1,922 Mn. as of December 2022.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position, commitments and contingencies, to reflect their relative risk as of 31 December:

	2022 (SAR '000)	2021 (SAR '000)
Credit risk weighted assets	**454,047,013**	385,415,205
Operational risk-weighted assets	**42,282,263**	37,798,847
Market risk weighted assets	**1,643,421**	2,414,738
Total Pillar I – risk weighted assets	**497,972,697**	425,628,790
Tier I capital	**100,932,280**	69,646,141
Tier II capital	**5,675,588**	4,817,690
Total tier I and II capital	**106,607,868**	74,463,831
Capital adequacy ratio %		
Tier I ratio (%)	**20.27**	16.36
Tier I and II ratio (%)	**21.41**	17.50

39 Shariah compliant derivatives

(a) Profit rate swaps

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

(b) Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currency and profit rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

(c) FX swaps

FX swaps are agreements between two parties to exchange a given amount of one currency for an amount of another currency based on the current spot rate and forward rates quoted in the interbank market. The two parties will then settle their respective foreign exchange notional amounts governed by the previously agreed specific forward rate, The forward rate locks in the exchange rate at which the funds will be exchanged in the future.

(d) Cash flow hedges

The Bank is exposed to variability in future yield cash flows on non-trading assets and liabilities which bear yield at a variable rate. The bank uses profit rate swaps as cash flow hedges of these profit rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and profit rate risks which are hedged with cross currency profit rate swaps.

Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of income:

2022	Positive fair value (SAR '000)	Negative fair value (SAR '000)	Notional amount total (SAR '000)	Notional amounts by term to maturity: Within 3 months (SAR '000)	3-12 months (SAR '000)	1-5 years (SAR '000)	Over 5 years (SAR '000)
Held for trading:							
Profit rate swaps	1,680,869	(1,614,685)	23,037,476	–	3,103,963	9,364,468	10,569,045
Foreign exchange forward contracts	10,536	(10,435)	280,798	186,105	91,331	3,362	–
FX swaps	12,131	(1,703)	4,708,746	4,220,988	487,758	–	–
Total	1,703,536	(1,626,823)	28,027,020	4,407,093	3,683,052	9,367,830	10,569,045
Held as cash flow hedge:							
Profit rate swaps	–	(50,820)	3,000,000	–	–	3,000,000	–
Total	–	(50,820)	3,000,000	–	–	3,000,000	–

2021	Positive fair value (SAR '000)	Negative fair value (SAR '000)	Notional amount total (SAR '000)	Notional amounts by term to maturity: Within 3 months (SAR '000)	3-12 months (SAR '000)	1-5 years (SAR '000)	Over 5 years (SAR '000)
Held for trading:							
Profit rate swaps	317,731	(288,492)	17,305,197	–	7,034,837	4,218,159	6,052,201
Foreign exchange forward contracts	14,277	(13,906)	227,966	170,101	57,865	–	–
FX swaps	20,077	(8,740)	7,443,526	7,443,526	–	–	–
Total	352,085	(311,138)	24,976,689	7,613,627	7,092,702	4,218,159	6,052,201

2022	Within 1 year (SAR '000)	1-3 years (SAR '000)	3-5 years (SAR '000)	Over 5 years (SAR '000)
Cash inflows (assets)	189,224	339,917	50,298	–

There were no cash flow hedges during the year ended 31 December 2021.

The tables below show a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value:

Description of hedged items:	Fair Value (SAR '000)	Hedge inception value (SAR '000)	Risk	Hedging instrument	Negative fair value (SAR '000)	Positive fair value (SAR '000)
Floating profit rate investments	3,032,876	3,000,000	Cash flow	profit rate swap	50,820	–

40 IBOR transition (Profit rate benchmark reforms)

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2021 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. The Group has no exposure to any other LIBOR rates.

The table below shows the Group's exposure at the year-end to significant IBORs subject to reform that have yet to transition to RFRs. The table excludes exposures to IBOR that will expire before transition is required.

31 December 2022	Non-derivative financial assets – carrying value (SAR '000)	Non-derivative financial liabilities carrying value (SAR '000)	Derivatives nominal amount (SAR '000)
LIBOR USD (1 month)	**373,926**	–	**593,624**
LIBOR USD (3 months)	**2,852,702**	–	**4,397,913**
LIBOR USD (6 months)	**4,591,850**	–	**3,187,702**
LIBOR USD (12 months)	**436,727**	–	–
Total	**8,255,205**	–	**8,179,239**

31 December 2021	Non-derivative financial assets – carrying value (SAR '000)	Non-derivative financial liabilities carrying value (SAR '000)	Derivatives nominal amount (SAR '000)
LIBOR USD (1 month)	317,586	–	384,792
LIBOR USD (3 months)	3,345,365	–	2,212,425
LIBOR USD (6 months)	6,089,422	–	9,194,380
LIBOR USD (12 months)	397,709	–	–
Total	10,150,082	–	11,791,597

41 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 consolidated statement of income. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to Zakat.

(a) Provisions for Zakat and Income tax for the years ended 31 December is summarised as follows:

	2022 (SAR '000)	2021 (SAR '000)
Beginning balance for Zakat provision	**3,424,929**	3,812,601
Provided during the year	**1,971,865**	1,698,579
Payments made during the year	**(2,560,423)**	(2,086,251)
Provisions for Zakat and income tax	**2,836,371**	3,424,929

The Group has filed the required Zakat returns with the ZATCA which are due on 30 April each year. The Group's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership of the Bank to each of its subsidiaries.

On 14 March 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning 1 January 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Group has provided for Zakat for the year ended 31 December 2022 and 2021 on the basis of the Group's understanding of these rules.

42 Business combination

On 1 February 2022, the Group completed the process and legal formalities of the acquisition of the entire shares of Ejada Systems Limited ("Ejada") (a Saudi limited liability company) for cash consideration of SAR 657,815 thousand.

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard"). As required by the standard, the Group has accounted for the acquisition based on fair values of the acquired assets and assumed liabilities as at the acquisition date and has completed the Purchase Price Allocation accounting.

The following table summarises the recognised amounts at fair value of assets acquired and liabilities assumed at the date of acquisition.

	1 February 2022 (SAR '000)
Assets	
Property and equipment and right of use assets	10,319
Intangible assets	4,726
Investments	72,329
Contract assets	114,670
Prepaid expenses and other assets	25,293
Cash and cash equivalents	118,550
Trade and other receivables	149,232
Total assets	**495,119**
Liabilities	
Lease liability	1,231
Trade and other payables	123,553
Contract liabilities	67,130
Provision for Zakat and income tax	4,757
Lease liabilities	3,937
End-of-service indemnities	124,147
Total liabilities	**324,755**

	1 February 2022 (SAR '000)
Total identifiable net assets	**170,364**
Intangible assets arising from the acquisition – classified under other assets	**487,451**
Purchase consideration transferred	**657,815**
Analysis of cashflows on acquisition date	
Net cash acquired with the subsidiary	**118,550**
Cash paid as consideration	**(657,815)**
Net Cashflow on acquisition	**(539,265)**
Acquisition related costs	**1,388**

The acquisition cost has been charged to the consolidated statement of income under general and administrative expenses.

Summary of revenue and profit:

	Revenue (SAR '000)	Profit (SAR '000)
From the beginning of the period (pro-forma)	747,016	106,256
From the acquisition date	715,298	196,339

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	(SAR '000)
Gross carrying amount	
At 1 January 2022	–
At acquisition date of 31 January 2022	248,733
At 31 December 2022	248,733
Accumulated impairment	
At 1 January 2022	–
Impairment losses recognised during the period	–
At 31 December 2022	–
Net book value	
At 1 January 2022	–
Other intangible assets at 31 December 2022, net	172,148
As at 31 December 2022	420,881

43 Approval of the Board of Directors

The consolidated financial statements were approved by the Board of Directors on 15 Rajab1444H (corresponding to 06 February 2022).

supplementary

مصرف الراجحي
alrajhi bank

GRI content index

Statement of use	Al Rajhi Bank has reported the information cited in this GRI content index for the period 01 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	9
	2-2 Entities included in the organization's sustainability reporting	6
	2-3 Reporting period, frequency and contact point	6
	2-4 Restatements of information	6
	2-6 Activities, value chain and other business relationships	6, 12
	2-7 Employees	95
	2-9 Governance structure and composition	144
	2-10 Nomination and selection of the highest governance body	152
	2-11 Chair of the highest governance body	136
	2-15 Conflicts of interest	144
	2-16 Communication of critical concerns	36
	2-18 Evaluation of the performance of the highest governance body	157
	2-19 Remuneration policies	157
	2-20 Process to determine remuneration	157
	2-23 Policy commitments	6, 8, 133
	2-26 Mechanisms for seeking advice and raising concerns	102
	2-29 Approach to stakeholder engagement	35
GRI 3: Material Topics 2021	3-1 Process to determine material topics	40
	3-2 List of material topics	40
	3-3 Management of material topics	40; Climate change (123); Human labour and rights (95, 126), Customer experience (106); Employee attraction, development and retention (95, 127); Employee health and well-being (126); Community Investment and engagement (126); Digitalisation and automation (110, 114); Customer satisfaction (106); Innovation and product development (56); Diversity and inclusion (95, 127); Green banking and lending (123); Governance, ethics and accountability (144); Sustainable and socially responsible procurement (113, 128)

GRI STANDARD	Disclosure	Location
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	129
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	128
GRI 207: Tax 2019	207-1 Approach to tax	132
	207-2 Tax governance, control, and risk management	132
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	98
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	101
	401-3 Parental leave	101
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	126
	403-2 Hazard identification, risk assessment, and incident investigation	126
	403-3 Occupational health services	126
	403-5 Worker training on occupational health and safety	126
	403-6 Promotion of worker health	126
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	104
	404-2 Programs for upgrading employee skills and transition assistance programs	104

glossary of key islamic finance terms

Ajr
commission or fee charged for services

Akar
instalment sale to invest in property

Financing to give customers an opportunity to invest in property with repayment to the Bank in the form of instalments over a period of time.

Bai al Arboon
down payment sale

A sale agreement

In which a down payment is provided in advance as part payment towards the price of the commodity for reserving the commodity. The down payment is forfeited if the buyer does not return to take the commodity and the seller is entitled to sell the commodity.

Bai Al Ajel
deferred payment sale

A sale on a deferred payment basis. Equipment or goods are sold by the Bank to the client for an agreed lump sum price which includes the profit required by the Bank without disclosing the cost. The client may pay by instalments within a pre-agreed period, or in a lump sum.

Bai Inah
sale and buy-back

The sale and buy-back of an asset for a higher price than that for which the seller originally sold it. The seller immediately buys back the asset just sold on a deferred payment basis at a price higher than the original price. This can be seen as a loan in the form of a sale.

Eirad
credit facilities granted against assignment of an income stream for a specific period.

Fiqh
Islamic jurisprudence

Gharar
uncertainty

One of three fundamental prohibitions in Islamic finance (the other two being Riba and Maysir). Gharar is a concept that covers certain types of haram uncertainty whereby one or more parties stand to be deceived through ignorance of an essential element in the contract. Gambling is a form of Gharar because the gambler is ignorant of the result of the gamble. The prohibition on Gharar is often used as the grounds for criticism of conventional financial practices such as short selling, speculation and derivatives.

Halal
lawful, permissible

Haram
unlawful, forbidden

Activities, professions, contracts and transactions that are explicitly prohibited by the Quran or the Sunnah.

Hawala
bill of exchange, remittance

A contract which allows a debtor to transfer his debt obligation to a third party who owes the former a debt. The mechanism of Hawala is used for settling international accounts by book transfers, thus obviating the need for a physical transfer of cash.

Ijara
leasing

A lease agreement whereby a bank or financier buys an item for a customer and then leases it to him over a specific period, thus earning profits for the Bank by charging rental. The duration of the lease and the fee are set in advance. During the period of the lease, the asset remains in the ownership of the lessor (the Bank), but the lessee has the right to use it. After the expiry of the lease agreement, this right reverts to the lessor.

Ijara Thumma Bai
leasing to purchase

The same principle governing an Ijara contract, but at the end of the lease period the lessee buys the asset for an agreed price through a purchase contract.

Ijarah wa Iqtina
buy-back leasing

Istisnaa
advance purchase of goods or buildings

A contract of acquisition of goods by specification or order, where the price is paid in advance, or progressively in accordance with the progress of a job. For example, to purchase a yet to be constructed house, payments would be made to the builder according to the stage of work completed. This type of financing, along with Salam, is used as a purchasing mechanism, and Murabaha and Bai Al Ajel are for financing sales.

Kafalah
guarantee

Sharia principle governing guarantees. It applies to a debt transaction in the event of a debtor failing to pay.

Maysir
gambling

One of three fundamental prohibitions in Islamic finance (the other two being Riba and Gharar). The prohibition on Maysir is often used as grounds for criticism of conventional financial practices such as speculation, conventional insurance and derivatives.

Mudaraba
trust financing, profit sharing

An investment partnership, whereby the investor (the Rab al mal) provides capital to the entrepreneur (the mudarib) in order to undertake a business or investment activity. While profits are shared on a pre-agreed ratio, losses are born by the investor alone. The mudarib loses only his share of the expected income.

The investor has no right to interfere in the management of the business, but he can specify conditions that would ensure better management of his money. In this way Mudaraba is sometimes referred to as a sleeping partnership.

A joint Mudaraba can exist between investors and a bank on a continuing basis. The investors keep their funds in a special fund and share the profits before the liquidation of those financing operations that have not yet reached the stage of final settlement. Many Islamic investment funds operate on the basis of joint Mudaraba.

glossary of key islamic finance terms

Mudarib
entrepreneur in a Mudaraba contract

The entrepreneur or investment manager in a Mudaraba who puts the investor's funds in a project or portfolio in exchange for a share of the profits. A Mudaraba is similar to a diversified pool of assets held in a discretionary asset management portfolio.

Murabaha
cost-plus financing

A form of credit in which the Bank buys an item and sells it to the customer on a deferred basis. The price includes a profit margin agreed by both parties. Repayment, usually in instalments, is specified in the contract.

The legality of this financing technique has been questioned because of its similarity to Riba. However, the modern Murabaha has become a popular financing technique among Islamic banks, used widely for consumer finance, real estate and the purchase of machinery and for financing short-term trade.

Musharaka
joint venture, profit and loss sharing

An investment partnership in which all partners are entitled to a share in the profits of a project in a mutually agreed ratio. Losses are shared in proportion to the amount invested. All partners to a Musharaka contribute funds and have the right to exercise executive powers in that project, similar to a conventional partnership structure and the holding of voting shares in a limited company.

This equity financing arrangement is widely regarded as the purest form of Islamic financing. The two main forms of Musharaka are –

- Permanent Musharaka: an Islamic bank participates in the equity of a project and receives a share of the profit on a *pro rata* basis. The length of contract is unspecified, making it suitable for financing projects where funds are committed over a long period.
- Diminishing Musharaka: this allows equity participation and sharing of profits on a *pro rata* basis, and provides a method through which the Bank keeps on reducing its equity in the project, ultimately transferring ownership of the asset to the participants. The contract provides for payment over and above the Bank's share in the profit for the equity held by the Bank. Simultaneously the entrepreneur purchases some of the Bank's equity, progressively reducing it until the Bank has no equity and thus ceases to be a partner.

Mutajar
an asset financing mechanism with deferred payment

A financing agreement whereby the bank purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, thus making the client a debtor to the Bank for the sale amount and for the period agreed in the contract.

Qard Hasan
benevolent loan

A loan contract between two parties for social welfare or for short-term bridging finance. Repayment is for the same amount as the amount borrowed. The borrower can pay more than the amount borrowed so long as it is not stated by contract.

Riba
interest

An increase, addition, unjust return, or advantage obtained by the lender as a condition of a loan. Any risk-free or "guaranteed" rate of return on a loan or investment is Riba. Riba in all its forms is prohibited in Islam.

In conventional terms, Riba and "interest" are used interchangeably, although the legal notion extends beyond mere interest.

Sharia
Islamic jurisprudence

Sukuk
Islamic bond

An asset-backed bond which is structured in accordance with Sharia and may be traded in the market. A Sukuk represents proportionate beneficial ownership in the underlying asset, which will be leased to the client to yield the return on the Sukuk.

Takaful
Islamic insurance

Based on the principle of mutual assistance, Takaful provides mutual protection of assets and property and offers joint risk-sharing in the event of a loss by one of the participants. Takaful is similar to mutual insurance in that members are the insurers as well as the insured. Conventional insurance is prohibited in Islam because its dealings contain several haram elements, such as Gharar and Riba.

Tawarruq
reverse Murabaha

In personal financing, a client with a genuine need buys an item on credit from the Bank on a deferred payment basis and then immediately resells it for cash to a third party. In this way, the client can obtain cash without taking out an interest-based loan.

Ujrah
fee

The financial charge for using services, or Manfaat (wages, allowance, commission, etc.).

Waqf
charitable trust

Zakat
religious tax

An obligatory contribution which every wealthy Muslim is required to pay to the Islamic state, or to distribute amongst the poor. According to Islam, Zakat – the third pillar of Islam – purifies wealth and souls. Zakat is levied on cash, cattle, agricultural produce, minerals, capital invested in industry and business.

corporate information

Name
Al Rajhi Banking and Investment Corporation

Trade Name
Al Rajhi Bank

Commercial Registration No.
1010000096

Registered Logo
مصرف الراجحي
alrajhi bank

Legal Form
A Saudi joint stock company, formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (29 June 1987), in accordance with Article 6 of the Council of Ministers Resolution No. 245, dated 26 Shawal 1407H (23 June 1987).

Stock Exchange Listing
The shares of the Bank are listed on the Saudi Stock Exchange (Tadawul).
Stock code: 1120.SE

Auditors
Ernst and Young
KPMG Al Fozan & Partners

Head Office/Registered Office
Al Rajhi Bank
8467, King Fahd Road – Al Muruj District
Unit No. 1
Riyadh 12263 – 2743
Kingdom of Saudi Arabia

Tel: +966920003344 (KSA) | +966114603333 (International)
Fax: +966114603351, +966114600705

Web: www.alrajhibank.com.sa

E-mail: care@alrajhibank.com.sa

Subsidiary Companies and Branches

Name of subsidiary	Country of operation	Country of establishment
Tuder Real Estate Company – KSA (formerly: Al Raji Real Estate Development Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Corporation Limited – Malaysia	Malaysia	Malaysia
Al Rajhi Capital Company – KSA	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Bank – Kuwait	Kuwait	Kingdom of Saudi Arabia
Al Rajhi Bank – Jordan	Jordan	Kingdom of Saudi Arabia
Al Rajhi Takaful Agency Company – KSA	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Company for management services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Emkan Finance Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tawtheeq company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Financial Markets Ltd	Cayman Islands	Cayman Islands
International Digital Solutions Co. (Neoleap)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Ejada Systems Limited Co	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

GSARN©
www.gsarn.org
Global Standard Annual Report Number©
SAU8355ARBIC0210000E108