AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

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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 Organization 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:

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing	
As at 31 December 2022, the Group's gross financing amounted to SAR 576,365.8 million (2021: SAR 462,028.8 million), against which an expected credit loss ("ECL") allowance of SAR 8,027.7 million (2021: SAR 9,198.2 million) 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: o 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); o the classification of financing into Stages 1, 2 and 3 and timely identification of SICR, and the determination of default / individually impaired exposures; o the IT systems and applications supporting the ECL model; and o the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: o 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 o 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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing (continued)	
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. *Refer to the summary of significant accounting policy note 3e)(5) for the impairment of financial assets; note 2e)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 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. • 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.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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
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KPMG Professional Services

Khalil Ibrahim Al Sedais
Certified Public Accountant
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16 Rajab 1444 H
(07 February 2023)

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Financial Position
(SAR'000)

As at	Notes	31 December 2022	31 December 2021
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
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	27	**16,500,000**	-
Total equity		**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

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Income

(SAR'000)

For the year ended 31 December	Notes	2022	2021
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, amortization 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

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Comprehensive Income

(SAR'000)

For the year ended 31 December	Notes	2022	2021
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 recognized 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

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Changes in Shareholders' Equity

(SAR'000)

For the year ended 31 December 2022	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank	Tier I Sukuk	Total equity
Balance at 31 December 2021		25,000,000	25,000,000	282,107	16,999,457	-	67,281,564	-	67,281,564
Net income for the year		-	-	-	17,150,825	-	17,150,825	-	17,150,825
Net change in fair value of FVOCI Equity investments	17	-	-	(573,838)	-	-	(573,838)	-	(573,838)
Net change in fair value of FVOCI Sukuk investments	17	-	-	(131,863)	-	-	(131,863)	-	(131,863)
Share in FVOCI from associate	17	-	-	1,316	-	-	1,316	-	1,316
Actuarial gain on employees' end of service benefits ("EOSB")		-	-	231,824	-	-	231,824	-	231,824
Exchange difference on translation of foreign operations	17	-	-	(38,229)	-	-	(38,229)	-	(38,229)
Net other comprehensive income (loss) recognized in shareholders' equity		-	-	(510,790)	-	-	(510,790)	-	(510,790)
Total comprehensive income for the year		-	-	(510,790)	17,150,825	-	16,640,035	-	16,640,035
Disposal of FVOCI equity instruments		-	-	(198,886)	198,886	-	-	-	-
Tier I Sukuk issued	27	-	-	-	-	-	-	16,500,000	16,500,000
Tier I Sukuk costs		-	-	-	(196,564)	-	(196,564)	-	(196,564)
Bonus shares Issued	26	15,000,000	-	-	(15,000,000)	-	-	-	-
Transfer to statutory reserve		-	4,287,706	-	(4,287,706)	-	-	-	-
Proposed dividends for the year 2022	25				(5,000,000)	5,000,000	-	-	-
Balance at 31 December 2022		40,000,000	29,287,706	(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035

For the year ended 31 December 2021	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank	Tier I Sukuk	Total equity
Balance at 31 December 2020		25,000,000	25,000,000	(162,678)	8,253,246	-	58,090,568	-	58,090,568
Net income for the year		-	-	-	14,746,211	-	14,746,211	-	14,746,211
Net change in fair value of FVOCI investments		-	-	399,339	-	-	399,339	-	399,339
Share in FVOCI from associate		-	-	24,044	-	-	24,044	-	24,044
Actuarial gain on employees' end of service benefits ("EOSB")		-	-	42,055	-	-	42,055	-	42,055
Exchange difference on translation of foreign operations		-	-	(20,653)	-	-	(20,653)	-	(20,653)
Net other comprehensive income recognized in shareholders' equity		-	-	444,785	-	-	444,785	-	444,785
Total comprehensive income for the year		-	-	444,785	14,746,211	-	15,190,996	-	15,190,996
Dividend for annual year 2020	25	-	-	-	(2,500,000)	-	(2,500,000)	-	(2,500,000)
Interim Dividend for the first half of 2021	25	-	-	-	(3,500,000)	-	(3,500,000)	-	(3,500,000)
Balance at 31 December 2021		25,000,000	25,000,000	282,107	16,999,457	-	67,281,564	-	67,281,564

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

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Cash Flows
(SAR'000)

For the year ended 31 December	Note	2022	2021
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 / amortization 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

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

Chairman | Chief Executive Officer | Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Cash Flows

(SAR'000)

For the year ended 31 December	Note	2022	2021
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

For the years ended 31 December 2022 and 2021 (SAR'000)

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 authorized 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.
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

1 - General (Continued)

a) Incorporation and operation (Continued)

Name of subsidiaries	Shareholding		Description
	2022	2021	
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 organize 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 recognized 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 realization 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.

2 - Basis of preparation (Continued)

(e) Critical accounting judgments, estimates and assumptions (Continued)

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 recognized 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 - Basis of preparation (Continued)

i. Expected Credit Losses on financial assets (Continued)

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 amortization (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.

For the years ended 31 December 2022 and 2021 (SAR'000)

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 December 31, 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2022 replacing, amending, or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

3 - Significant accounting policies (Continued)

a) Changes in accounting policies (Continued)

New standards not yet effective

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 noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. 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.

3 - Significant accounting policies (Continued)

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.

3 - Significant accounting policies (Continued)
b) Basis of consolidation (Continued)

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 recognized 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.

3 - Significant accounting policies (Continued)

c) Government grants

The Group recognizes 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 recognized 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 recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognized 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 recognized in the consolidated statement of income.

After application of the equity method, the Group determines whether it is necessary to recognize 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 recognizes 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.

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities

(1) Classification of financial assets

On initial recognition, a financial asset is classified and measured at: Amortized 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 amortized 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 amortized 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 amortized 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.

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(1) Classification of financial assets (Continued)

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

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

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

Assessments whether contractual cash flows are solely payments of principal and 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.

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(1) Classification of financial assets (Continued)

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 amortized cost. Amortized 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 recognized at fair value less transaction costs. Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss.

(3) Derecognition

Derecognition of financial assets

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

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

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(3) Derecognition(Continued)

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

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

Any cumulative gain/loss recognized in OCI, among other reserve, in respect of equity investment securities designated as at FVOCI is not recognized in consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognized 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 recognized 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 derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank securitizes various financing and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Profit in the securitized 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 recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in other revenue.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and a new financial asset is recognized 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 amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in 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

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(4) Modifications of financial assets and financial liabilities

Modified financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of income.

If the modification of a financial liability is not accounted for as derecognition, then the amortized 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 recognized 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 recognizes 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 recognized 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 recognized, 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 recognized 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 recognized and that are credit-impaired are referred to as "Stage 3 financial assets".

3 - Significant accounting policies (Continued)
e) Financial assets and financial liabilities (Continued)
(5) Impairment (Continued)

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 categorizes 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 derecognized 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.

3 - Significant accounting policies (Continued)
e) Financial assets and financial liabilities (Continued)
(5) Impairment (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized 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 reorganization; 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 recognized 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.

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(5) Impairment (Continued)

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 amortized 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 recognized 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 recognized 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.

3 - Significant accounting policies (Continued)

e) Financial assets and financial liabilities (Continued)

(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 amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized 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 recognizes 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.

3 - Significant accounting policies (Continued)
f) Derivative financial instruments (Continued)
ii. Hedge Accounting (Continued)

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 recognized 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 recognized 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 recognized.

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.

3 - Significant accounting policies (Continued)

f) Derivative financial instruments (Continued)

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 collateralized 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 uncollateralized 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).

3 - Significant accounting policies (Continued)

f) Derivative financial instruments

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 recognized 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 recognized.

Income from Mutajara, Murabaha; investments held at amortized cost, Installment sale and credit cards services is recognized 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 recognized 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 recognized 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 recognized 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 recognized over the period when the service is being provided i.e. related performance obligation is satisfied. Asset management fees related to investment funds are recognized 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 recognized. Wealth management and custody services fees that are continuously recognized 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 recognized 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.

3 - Significant accounting policies (Continued)

g) Revenue recognition (Continued)

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 recognized 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 amortized 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 capitalized 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.

3 - Significant accounting policies (Continued)
j) Property and equipment, net (Continued)

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.

3 - Significant accounting policies (Continued)

j) Property and equipment, net (Continued)

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.

3 - Significant accounting policies (Continued)

k) Accounting for Ijarah (Leases) (Continued)

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 recognized at fair value less transaction cost, being the fair value of the consideration received, and are subsequently measured at amortized 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 recognized 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 collateralized 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 recognized 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 recognized 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 recognized over the life of the reverse repurchase agreement on an effective profit basis.

n) Provisions

Provisions are recognized 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

3 - Significant accounting policies (Continued)

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 recognized 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 recognized 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 recognizes 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.

3 - Significant accounting policies (Continued)

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 amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Realized and unrealized 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 recognizes 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 recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

In some cases, an entity does not recognize 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:

3 - Significant accounting policies (Continued)

v) Day 1 profit or loss (Continued)

• its accounting policy for recognizing 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 recognized 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 recognized and derecognized 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 recognized amounts, and when the Group intends to settle on a net basis, or to realize 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 programs

The Group offers customer loyalty programs 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 recognized 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 December 31, 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 responsibilityto 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 capitalized and either depreciated or amortized as part of the capital cost.

For the years ended 31 December 2022 and 2021 (SAR'000)

3 - Significant accounting policies (Continued)

z) Zakat and taxes (Continued)

- 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	2021
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

5 - Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

	2022	2021
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	Allowance for expected credit loss	Net carrying amount
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	Allowance for expected credit loss	Net carrying amount
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

6 - Investments, net

(a) Investments comprise the following:

	2022	2021
Investments held at amortized 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 amortized 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 million and the related balances of the repurchase agreements pledge is SAR 57,119 million."

*The Group holds SAR 2,828 million (31 December 2021: 2,339 million) 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 amortized 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

6 - Investments, net (Continued)

(b) The analysis of the composition of investments as of 31 December is as follows:

2022	Quoted	Unquoted	Total
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	Unquoted	Total
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 unrecognized gains and losses and fair values of investments as of 31 December are as follows:

2022	Net carrying value	Unrecognized gains	Unrecognized losses	Fair value
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	Unrecognized gains	Unrecognized losses	Fair value
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

For the years ended 31 December 2022 and 2021 (SAR'000)

6 - Investments, net (Continued)

(d) Credit quality of investments

	2022	2021
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	2021
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 summarized as follows:

31 December 2022	**Domestic**	**International**	**Total**
Investments held at amortized 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 amortized 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**

For the years ended 31 December 2022 and 2021 (SAR'000)

6 - Investments, net (Continued)

(f) The domestic and international allocation of the Group's investments are summarized as follows: (Continued)

31 December 2021	Domestic	International	Total
Investments held at amortized 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 amortized 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 amortized cost:

2022	Performing	Non-performing	Allowance for impairment	Net financing
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	Non-performing	Allowance for impairment	Net financing
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(b) The net financing by location, inside and outside the Kingdom of Saudi Arabia, as of 31 December is as follows:

2022	Mutajara	Installment sale	Murabaha	Credit cards	Total
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	Installment sale	Murabaha	Credit cards	Total
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**	**Corporate**	**Total**
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	Corporate	Total
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(d) The table below summarizes 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	Past due but not impaired	Impaired	Total	Allowance for impairment	Net financing
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	Past due but not impaired	Impaired	Total	Allowance for impairment	Net financing
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	Corporate	Total
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	Corporate	Total
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	2021
Provided for the year for Financing	**3,312,164**	3,802,228
Provided for the year for other financing assets & 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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(g) The movement of financing by stages is as follows:

	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
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)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(h) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by:

(1) Retail Segment

	Gross carrying amount as of 31 December 2022			
Retail	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
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**

	Gross carrying amount as of 31 December 2021			
Retail	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(h) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by: (Continued)

(2) Corporate Segment

	Gross carrying amount as of 31 December 2022			
Corporate	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
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**

	Gross carrying amount as of 31 December 2021			
Corporate	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(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)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
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)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(j) The ECL movements of the three credit quality stages of financing held at amortized cost of:

(1) Retail Segment:

Retail	Credit loss allowance as of 31 December 2022 Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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

For the years ended 31 December 2022 and 2021 (SAR'000)

7 - Financing, net (Continued)

(j) The ECL movements of the three credit quality stages of financing held at amortized cost of: (Continued)

(2) Corporate Segment:

	Credit loss allowance as of 31 December 2022			
Corporate	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
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**

	Credit loss allowance as of 31 December 2021			
Corporate	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
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	2021
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

For the years ended 31 December 2022 and 2021 (SAR'000)

8 - Investments in associates

Investment in associate	2022	2021
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	Buildings	Leasehold land & buildings improvements	Equipment and furniture	Right-of-Use assets	Total
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 million as at 31 December 2022 (2021: SAR 271 million).

For the years ended 31 December 2022 and 2021 (SAR'000)

10 - Goodwill and other intangibles, net

	Goodwill	Intangibles	Total
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	Buildings	Total
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 billion (31 December 2021: SAR 1.6 Billion)

For the years ended 31 December 2022 and 2021 (SAR'000)

12 - Other Assets, net

	2022	2021
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	2021
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	2021
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	2021
Saudi Arabian Riyals	**521,538,417**	475,448,079
Foreign currencies	**43,386,271**	36,624,134
Total	**564,924,688**	512,072,213

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15 - Other liabilities

	2022	2021
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 authorized, 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 summarized as follows:

2022	**FVOCI investments**	**Foreign currency translation**	**Employee share plan reserve**	**Re-measurement of employees' end of service benefits**	**Share in OCI from associate**	**Total**
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)**

For the years ended 31 December 2022 and 2021 (SAR'000)

17 - Statutory and other reserves (Continued)

2021	FVOCI investments	Foreign currency translation	Employee share plan reserve	Re-measurement of employees' end of service benefits	Share in OCI from associate	Total
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 million (2021: SAR 458 million) relating to contracts for computer software update and development, and SAR 194 million (2021: SAR 193 million) 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

18 - Commitments and contingencies (Continued)
c) Credit related commitments and contingencies (Continued)

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 authorization 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**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
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	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
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**	**Acceptance**	**Letter of guarantees**	**Irrevocable commitments to extend credit**	**Total**
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**

For the years ended 31 December 2022 and 2021 (SAR'000)

18 - Commitments and contingencies (Continued)

c) Credit related commitments and contingencies (Continued)

2. Commitments and contingencies that may result in credit exposure (Continued)

2022	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
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	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
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 year	5,213,221	857,560	7,731,576	11,284,872	25,087,229

2021	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
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	2021
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

For the years ended 31 December 2022 and 2021 (SAR'000)

19 - Net financing and investment income

Net financing and investment income for the years ended 31 December comprises the following:

	2022	2021
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

Fee from banking services, net for the years ended 31 December comprise the following:

	2022	2021
Fee income:		
Remittance Business	**373,365**	258,878
Wholesale Business	**416,815**	376,857
Payment & 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 & 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	2021
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

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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**	**Variable compensations paid**	
			Cash	**Shares**
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	Variable compensations paid	
			Cash	Shares
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.

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23 - Other general and administrative expenses

Other general and administrative expenses for the years ended 31 December comprises the following:

	2022	2021
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 million, 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 million, 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 million, 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 capitalization of SAR 15,000 Million 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 billion. 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.

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27 - Tier I Sukuk (Continued)

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 billion 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	2021
Cash in hand	**6,672,064**	5,445,994
Due from banks and other financial institutions maturing within 90 days from the date of purchased	**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 Labor 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 recognized in the consolidated statement of financial position and movement in the liabilities during the year based on its present value are as follows:

	2022	2021
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 year

	2022	2021
Current service cost	**171,308**	146,375
Past service cost	**(3,774)**	-
Total	**167,534**	146,375

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29 - Employees' end of service benefits liabilities (Continued)

(d) Re-measurement recognised in other comprehensive income

	2022	2021
(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**	**Decrease in assumption**
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	Decrease in assumption
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	Less than a year	1-2 years	2-5 years	Over 5 years	Total
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

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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 organized 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	Corporate segment	Treasury segment	Investment services and brokerage segment	Total
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 amortization	**(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**

For the years ended 31 December 2022 and 2021 (SAR'000)

30 - Operating segments (Continued)

2021	Retail segment	Corporate segment	Treasury segment	Investment services and brokerage segment	Total
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
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 amortization	(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**	**Corporate segment**	**Treasury segment**	**Investment services and brokerage segment**	**Total**
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	Corporate segment	Treasury segment	Investment services and brokerage segment	Total
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 minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze 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 utilizes 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 analyzed by segment as well as by credit risk grading.

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement
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.

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
iii) Generating the term structure of PD (Continued)

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.

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
v) Determining whether credit risk has increased significantly (Continued)

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 categorized 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 derecognized and the renegotiated finance recognized 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 maximize collection opportunities and minimize 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 realizing 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.

31 - Financial risk management (Continued)

(1) Credit risk (Continued)

(a) Credit risk measurement (Continued)

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.

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
viii) Incorporation of forward looking information (Continued)

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:

Economic Indicators	Forecast calendar years used in 2022 ECL model		
	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 Avg 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	Investment	Financing	Off Balance Sheet Items	Total
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

ix) 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 amortization. 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).

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
x) Credit quality analysis

a) The following table sets out information about the credit quality of financings measured at amortized cost as at 31 December:

2022	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
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	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
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

xi) Financings

a) The net financing concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2022	Performing	Non-Performing	Allowance for impairment	Net financing
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 & 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**

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(a) Credit risk measurement (Continued)
xi) Financings (Continued)

a) The net financing concentration risks and the related provision, by major economic sectors at 31 December are as follows: (Continued)

2021	Performing	Non-Performing	Allowance for impairment	Net financing
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 & 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
Individually impaired financing	**3,084,717**
Fair value of collateral	**1,631,244**

2021	Total
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 realizable 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	2021
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

31 - Financial risk management (Continued)

(1) Credit risk (Continued)

(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.

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(1) Credit risk (Continued)
(c) Risk limit control and mitigation policies (Continued)

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 (collateralized 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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying goods to which they relate, and therefore, risk is partially mitigated.

Commitments to extend credit represent unused portions of authorizations 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**	2021
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.

31 - Financial risk management (Continued)

(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 analyzing 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 summarizes 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(2) Liquidity risks (Continued)

2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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 amortized 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

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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 amortized 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	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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.

31 - Financial risk management (Continued)

(2) Liquidity risks (Continued)

2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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 & 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 amortized 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 analyzed in currency concentrations, and relevant sensitivities are disclosed in SAR million.

2022		**SAR in Million**			
Currency	**Increase in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	**+25**	**398**	**369**	**409**	**335**

Currency	**Decrease in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	**-25**	**(398)**	**(369)**	**(409)**	**(335)**

31 - Financial risk management (Continued)
(3) Market risks (Continued)
(a) Market risks - banking operations (Continued)
- Profit rate risk (Continued)

2021		SAR in Million			
Currency	**Increase in basis points**	**Sensitivity of gross financing and investment income**			
		As at 31 December	Average	Maximum	Minimum
SAR	+25	332	312	332	288

Currency	Decrease in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average	Maximum	Minimum
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 summarizes the Group's exposure to profit rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorized 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(3) Market risks (Continued)
(a) Market risks - banking operations (Continued)
- **Profit rate risk (Continued)**

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2022	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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 amortized 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
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)	-

For the years ended 31 December 2022 and 2021 (SAR'000)

31 - Financial risk management (Continued)
(3) Market risks (Continued)
(a) Market risks - banking operations (Continued)
- **Profit rate risk (Continued)**

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2021	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
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 amortized 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
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)	-

31 - Financial risk management (Continued)

(3) Market risks (Continued)

(a) Market risks - banking operations (Continued)

- 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.

(SAR in '000)

Currency Exposures As at 31 December 2022	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
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**

(SAR in '000)

Currency Exposures As at 31 December 2021	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
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)**	2021 Long/(Short)
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

31 - Financial risk management (Continued)

(3) Market risks (Continued)

(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 Million	Change in Equity price %	Effect in SAR Million
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.

31 - Financial risk management (Continued)

(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.

For the years ended 31 December 2022 and 2021 (SAR'000)

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	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
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 amortized 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**

For the years ended 31 December 2022 and 2021 (SAR'000)

32 - Geographical concentration (Continued)

(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: (Continued)

2021	Kingdom of Saudi Arabia	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
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 amortized 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

For the years ended 31 December 2022 and 2021 (SAR'000)

32 - Geographical concentration (Continued)

(b) The distributions by geographical concentration of non-performing financing and allowance for impairment of financing are as follows:

2022	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
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	GCC and Middle East	South East of Asia	Total
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

33 - Fair values of financial assets and liabilities (Continued)

2022	Carrying value	Level 1	Level 2	Level 3	Total
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**
Investments held at amortized 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	Level 1	Level 2	Level 3	Total
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
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 amortized 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

For the years ended 31 December 2022 and 2021 (SAR'000)

33 - Fair values of financial assets and liabilities (Continued)

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 amortized 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 amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized 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 tranactions

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	2021
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.

For the years ended 31 December 2022 and 2021 (SAR'000)

34 - Related party transactions (Continued)

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	2021
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	2021
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	2021
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	2021
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

For the years ended 31 December 2022 and 2021 (SAR'000)

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 million (2021: SAR 58,255 million). 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 million at 31 December 2022 (2021: SAR 683 million).

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 recognize 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 million 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	2021
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 & II capital	**106,607,868**	74,463,831
Capital Adequacy Ratio %		
Tier I ratio	**20.27%**	16.36%
Tier I & II ratio	**21.41%**	17.50%

For the years ended 31 December 2022 and 2021 (SAR'000)

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 customized contracts transacted in the over-the-counter markets. Foreign currency and profit rate futures are transacted in standardized 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	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years
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**

2022	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years
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	Negative fair value	Notional amount total	Notional amounts by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years
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

39 - Shariah compliant derivatives (Continued)

(d) Cash flow hedges: (Continued)

2022	Within 1 year	1-3 years	3-5 years	Over 5 years
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	Hedge inception value	Risk	Hedging instrument	Negative fair value	Positive fair value
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.

In SAR 000 31 December 2022	**Non-derivative financial assets - carrying value**	**Non-derivative financial liabilities carrying value**	**Derivatives Nominal amount**
LIBOR USD (1 months)	**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**

In SAR 000 31 December 2021	**Non-derivative financial assets - carrying value**	**Non-derivative financial liabilities carrying value**	**Derivatives Nominal amount**
LIBOR USD (1 months)	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

For the years ended 31 December 2022 and 2021 (SAR'000)

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 December 31 is summarized as follows:

	2022	2021
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 April 30 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 March 14, 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 January 1, 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 December 31, 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.

For the years ended 31 December 2022 and 2021 (SAR'000)

42 - Business combination (Continued)

The following table summarizes the recognized amounts at fair value of assets acquired and liabilities assumed at the date of acquisition.

Assets	**1 February 2022**
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**
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	**Profit**
From the beginning of the period (pro-forma)	747,016	106,256
From the acquisition date	715,298	196,339

For the years ended 31 December 2022 and 2021 (SAR'000)

42 - Business combination (Continued)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

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 recognized 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).