INTEGRATED REPORT
2022

البنك السعودي للاستثمار
The Saudi Investment Bank

The Saudi Investment Bank

In 2015, SAIB worked on how the Bank could better position its business to promote sustainable development in Saudi Arabia. The output was a clearly defined set of strategic sustainability priorities and three-year targets to guide and focus the implementation of sustainability across each pillar of SAIB sustainability framework and all phases and functions of our organization.

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

His Royal Highness Crown Prince
Mohammad Bin Salman Bin Abdulaziz Al Saud

ABOUT THIS REPORT

Our 2022 Integrated Report (IR) details how we created and preserved value for our Shareholders, providers of financial capital and other Stakeholder groups during the year. We provide a concise overview of our progress against our strategic objectives, considering our material matters, risks and opportunities, Stakeholder concerns and the external environment. This Report is available in print and PDF format.

REPORT BOUNDARY

The Report only covers the operations of The Saudi Investment Bank, unless otherwise stated. The financial reporting includes the Bank, its subsidiaries and associate companies (referred to as the Group).

REPORTING PERIOD

This Report covers the period from January 1 to December 31, 2022 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. There are no restatements of information provided in previous reports. This IR is issued in both English and Arabic. In the event of a discrepancy, the Arabic version shall prevail.

COMPLIANCE

The Bank is subject to the laws and regulations of the Kingdom of Saudi Arabia and is regulated by the Saudi Central Bank (SAMA). The Bank also follows the regulations issued by the Ministry of Commerce (MOC) and the Capital Market Authority (CMA). The information contained herein, follows all applicable laws, regulations, and standards.

Integrated reporting framework

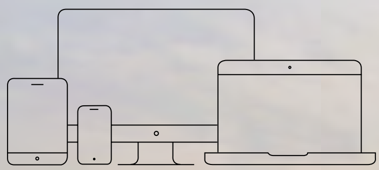
In preparing this IR, we have drawn on concepts, principles, and guidelines given in the International IR Framework. The International IR Framework does not require organizations preparing an integrated report to adopt the IR Framework categorization of capitals. Accordingly, we have categorized the capitals differently in our business model diagram to better describe our value creation process. Our value creation story is a discussion based on our strategic imperatives and their implementation.

Financial reporting standards

The Consolidated Financial Statements for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA). They follow the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bylaws of the Bank.

SUSTAINABILITY REPORTING DISCLOSURES

The Saudi Investment Bank has reported in accordance with the GRI Standards for the period from January 1 to December 31, 2022.



The SAIB Integrated Report online

The PDF version is published online on the same date as the date of issue of this Integrated Report at https://www.saib.com.sa/integratedreport2022

QUERIES

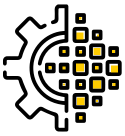
The Bank's Marketing Department is the custodian of this IR. For comments or queries, please contact the Chief Marketing Officer at The Saudi Investment Bank, PO Box 3533, Riyadh, 11481, Kingdom of Saudi Arabia.

FORWARD LOOKING STATEMENTS

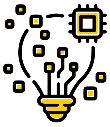
Certain information contained in this Report may constitute 'forward looking statements'. These may involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group and its subsidiaries to be materially different from the future results, performance or achievements stated or implied. The Group has no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have also not been reviewed or reported on by the Group's Auditors.

REPORT NAVIGATION ICONS

The following key elements of The Saudi Investment Bank strategy are highlighted throughout the IR:



Digitization



Innovation

Focus

Agility

Speed

SAR 3,336 million

Total income

SAR 17.34 billion

Market capitalization

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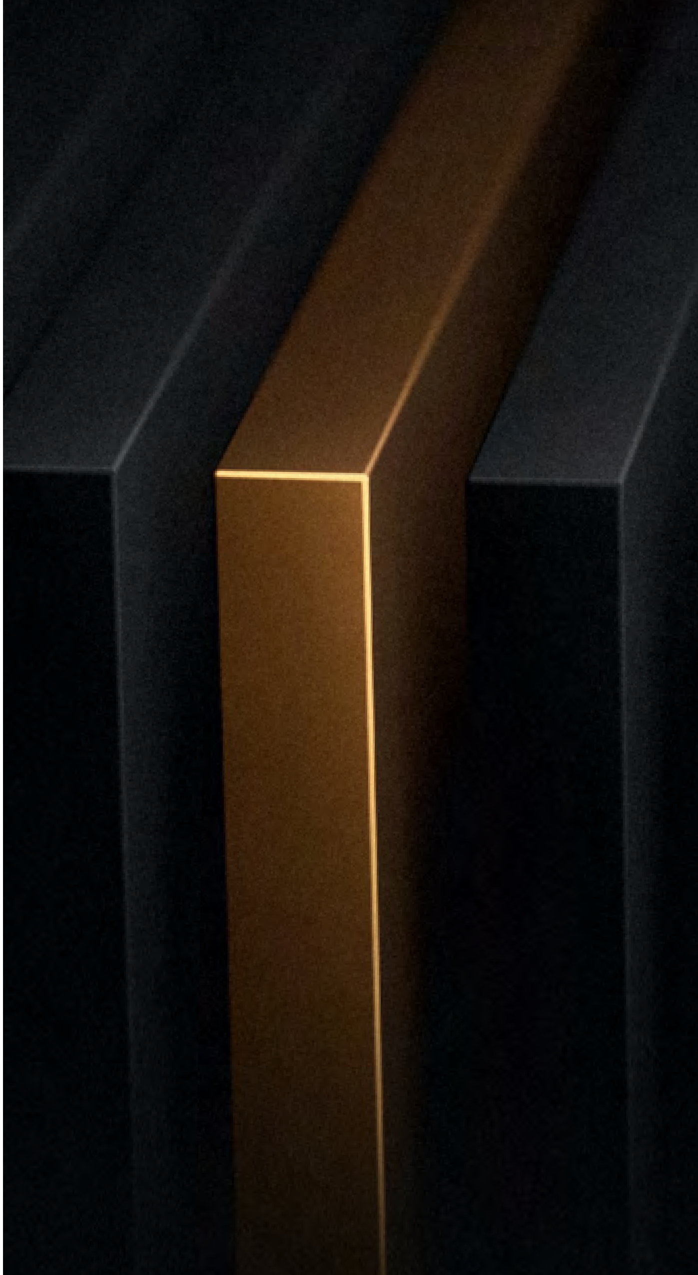
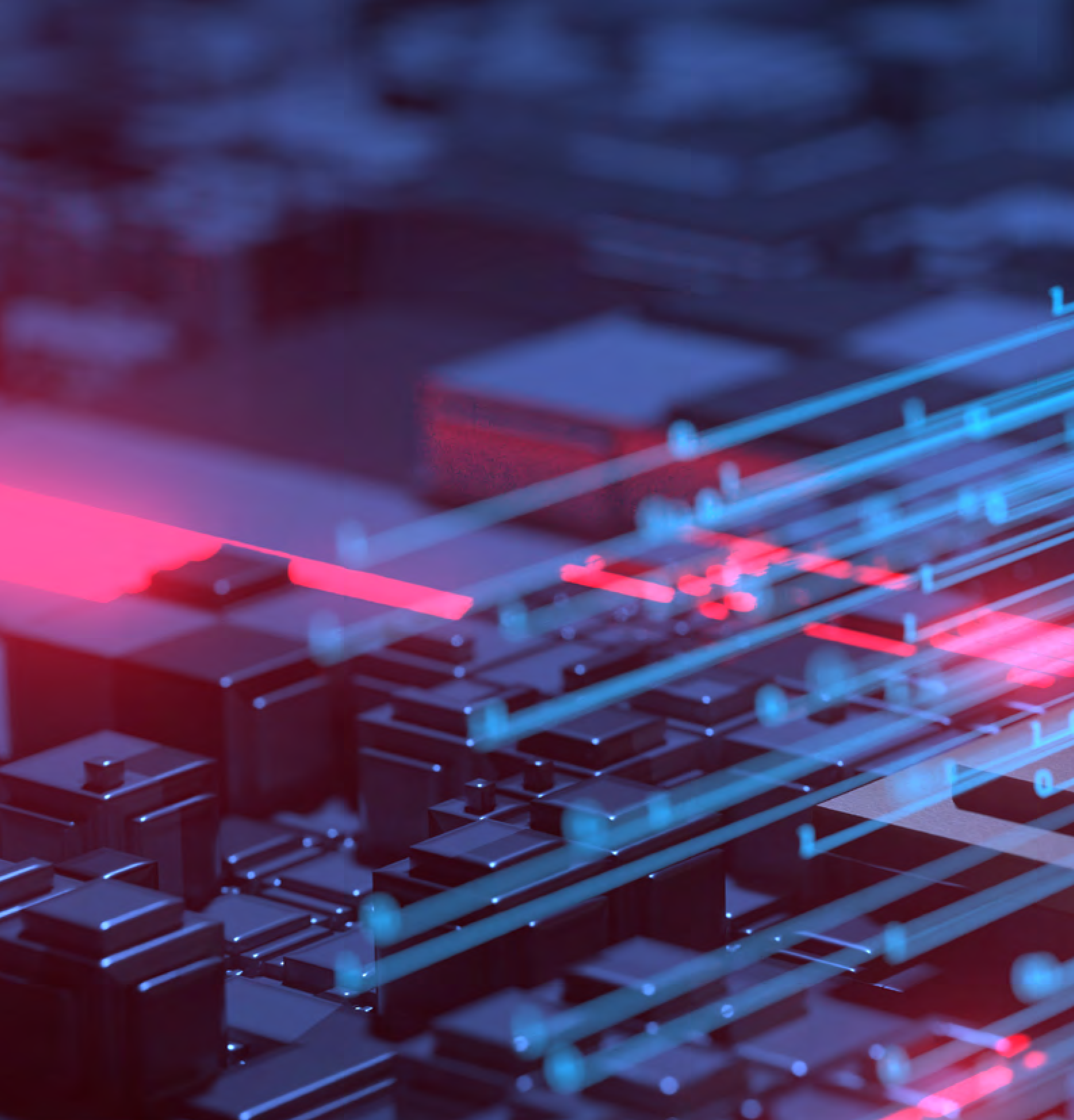


2022 AT A GLANCE

01



2022 VALUE CREATION
HIGHLIGHTS

FINANCIAL CAPITAL (SAR)

109.1 billion
Total assets
(2021: 101.6 billion)

16.8 billion
Total equity
(2021: 16.3 billion)

69.6 billion
Customer deposits
(2021: 61.5 billion)

3,336 million
Total income[1]
(2021: 2,823 million)

1,433 million
Total expenses
(2021: 1,284 million)

1,904 million
Operating profit before provisions
(2021: 1,539 million)

1,508 million
Net income
(2021: 1,062 million)

10.63%
Return on average Shareholders' equity
(2021: 7.55%)

1.43%
Return on average assets
(2021: 1.05%)

28.2 billion
Total investment portfolio
(2021: 28.8 billion)

15.39%
Equity to total assets
(2021: 16.05%)

1) Total income includes total operating income plus share in earnings of associates.
2) Total expense includes total operating expenses before impairment charges.

INSTITUTIONAL CAPITAL

SAR 17.34 billion
Market capitalization
(2021: SAR 14.67 billion)

0.70
Dividends per share
(2021: SAR 0.70)

EMPLOYEE CAPITAL (SAIB ONLY)

1,321
Permanent employees
(2021: 1,353)

91.6%
Saudization
(2021: 91%)

185
Training programs
(2021: 176)

31,143
Formal training hours
(2021: 15,541)

CUSTOMER CAPITAL

51
Branches
(2021: 51)

3
Special needs branches
(2021: 3)

553,688
Customers (including Personal Banking, Corporate Banking and MSMEs)
(2021: 657,677)

SOCIAL AND RELATIONSHIP CAPITAL

5,376 kg
Of paper recycled
(2021: 8,968 kg)

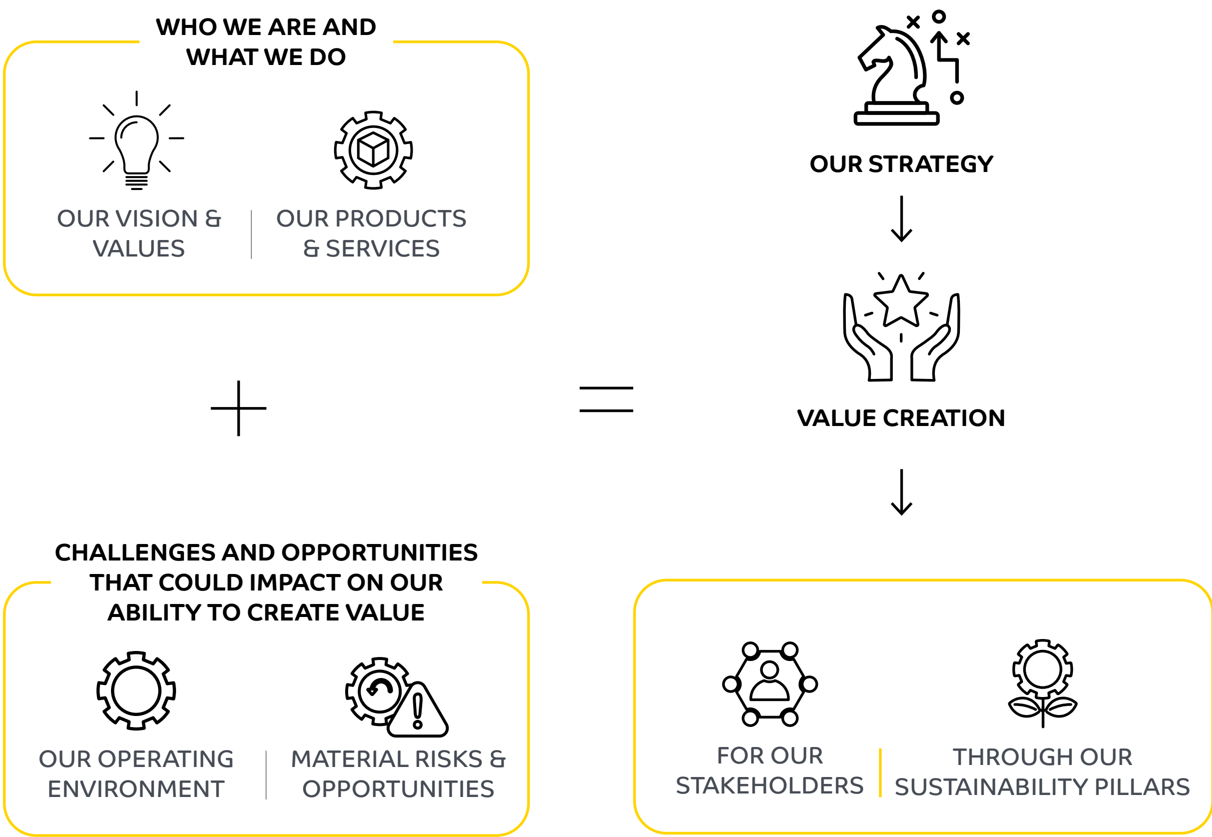
2,264 kg
Of plastic recycled
(2021: 2,512 kg)

105
Volunteers in 2022
(2021: 117)

OUR APPROACH TO VALUE CREATION

This report addresses material information on the Group's ability to manage value creation and preservation and mitigate value erosion over the short, medium and long-term, and provides a balanced and appropriate assessment of the Group's governance, strategy, risks and opportunities, performance and prospects.

By outlining the steps through which The Saudi Investment Bank creates value, we intend to provide sufficient information for investors and Stakeholders to logically evaluate our current and future prospects. Embedding integrated thinking in an organization supports an in-depth understanding of all factors impacting our ability to create sustainable value for our Stakeholders. Integrated thinking enables us to continuously adjust for fast-moving trends and environments.



LETTER FROM
THE CHAIRMAN

I am proud to report that the Bank succeeded in its strategic execution during 2022, amplifying its strengths and exceeding performance expectations.

Abdallah Saleh Jum'ah
Chairman

Total operating income
SAR
3,265
million

Net income
SAR
1,508
million

2022 was a challenging year for the global economy. Yet, the Saudi economy dealt efficiently with such challenges, and remained the fastest growing market among the G20.

During this year, the Bank achieved a record performance, unlocking significant value for our stakeholders, driven by sound leadership, disciplined strategic execution and team of dedicated employees. I would like to congratulate the leadership and employees of the Bank for their incredible efforts to accelerate our growth trajectory and deliver meaningful value to our stakeholders.

Strategic Performance
As part of the financial sector ecosystem, the Bank plays an important role in contributing to the Saudi economy and enhancing its growth towards the achievement of the goals of the Kingdom's Vision 2030, through the services it provides to the government, semi-government and the private sector.

The Saudi Investment Bank's foremost strategic objective is to become the Bank of choice for customers who seek a distinctive banking experience. The Bank has its focus on digitization and innovation and we know that our speed of execution is a key strategic driver of our success. As such, the Bank's business units are structured to serve specific target markets and create exceptional customer experiences through greater efficiency and effectiveness.

I am proud to report that the Bank succeeded in its strategic execution during 2022, amplifying its strengths and exceeding performance expectations. As the Board, we are determined to see the business continue on this trajectory in the coming reporting period.

Managing Diverse Risks
The growth of the Bank and its ability to create long term value for all its stakeholders is dependent on effective risk management. This is particularly important in the current operating context, which is characterized by volatility and change.

The Bank's risk environment is designed to continuously monitor both the internal and external environment and identify risks and opportunities in a manner that enables the business to realize its strategic objectives. During 2022, several risk initiatives were conducted across the organization, including at Board level.

With greater digitalization, the Bank becomes more exposed to new cyber security and fraud risks. This poses a challenge to business resilience and data security. To mitigate against these risks, the Bank adopted a cohesive organization-wide approach to data security. This included the digitalization of processes to satisfy the continuously changing demands of our customers and regulators.

Acknowledgements
I am confident that the Bank has the agility, innovation and exceptional talent to leverage the Kingdom's solid macro-economics for the benefit of the Bank and its stakeholders.

I take this opportunity to express my appreciation to our Government, under the stewardship of The Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince. Their strong leadership and bold actions have been invaluable over the past year, not only for the financial sector, but also for the entire Kingdom. A special thank you goes to all our stakeholders for the vital part they have played in ensuring the continued success and growth of our business over the past financial year.

I also extend my gratitude to the Saudi Central Bank (SAMA) for its unwavering support in ensuring we deliver on our mandate. My heartfelt appreciation to the Board of Directors, the Executive Management, and all the talented and dedicated employees who make our Bank the respected and successful organization it is. I will end by thanking our shareholders for their trust in us. I look forward to our continued partnership in the next financial year.

Abdallah Saleh Jum'ah
Chairman

The Saudi Investment Bank in Context

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A BRIEF
PROFILE

OUR HISTORY

The Saudi Investment Bank (SAIB) is a commercial bank established in 1976 and based in Riyadh, Saudi Arabia. The Bank commenced operations in 1977 pursuant to a Royal Decree dated June 22, 1976. In 1983, the Bank adopted The Saudi Investment Bank name and moved into commercial banking. The Al Asalah Islamic Banking brand, through which the Bank provides Shariah-compliant products and services, was launched in 2006. Islamic principles form the core of all the Bank's operations, and our Shariah Committee ensures adherence to Shariah principles in our product development.

The Bank offers wholesale, retail, and commercial banking products in the Kingdom of Saudi Arabia, both Shariah-compliant and traditional. The Bank provides its services to the government, quasi-government, corporate, and MSME sectors. Our finance operations offer a range of non-interest-bearing banking products including Murabaha, Istisna'a, and Ijarah. Our product portfolio also includes several treasury and investment banking products.

Our joint ventures and subsidiaries expand our range of products and services to include investment banking, share trading, asset management, leasing finance, mortgage finance, brokerage services, corporate finance services, and credit card services.

Our network (as at December 31, 2022)

51 branches
of which 48 offer Shariah-compliant banking services and products

370 ATMs

Over 9,400
point of sale (POS) terminals

PRODUCT PORTFOLIO

Personal Banking

- Accounts
- Customer Programs
- Finance
- Cards
- E-Banking

Corporate Banking and SME

- Small and Medium Enterprises
- Corporate
- Cash Management
- Trade Finance Solutions

Treasury and Investment Group

- Liquidity Management
- Foreign Exchange
- Structured Products

GROUP STRUCTURE
The Bank has 3 subsidiary companies, all of which are 100% owned by the Bank:

Alistithmar for Financial Securities and Brokerage Company (ICAP)

Brokerage, asset management, investment banking and other services within Saudi and international markets.

The Saudi Real Estate Company

The primary purpose of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions.

SAIB Markets Limited Company

Incorporated in the Cayman Islands and trades in derivatives and Repo activities on behalf of the Bank

In addition, the Bank has investments in the following 3 associate companies:

American Express (Saudi Arabia)

Ownership 50%
The principal activities of AMEX are to issue credit cards and offer other American Express products and services in Saudi Arabia.

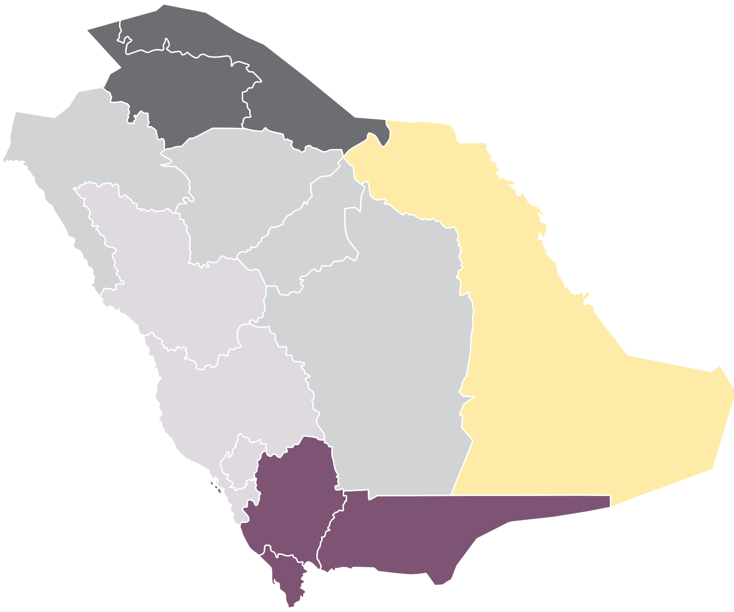
Yanal Finance Company (formerly “Saudi ORIX Leasing Company”) (Yanal)

Ownership 38%
Primarily deals in lease financing services.

Amlak International for Finance and Real Estate Development Company

Ownership 22.4%
Offers real estate products and services.

OPERATING FOOTPRINT



Central region
Riyadh
Takhassussi Branch
Shifa Branch
Malaz Branch
King Fahad District Branch
Khurais Branch
Head Office Branch
Ghurnata Branch
Badi'ah Branch
Al-Worood Branch
Al-Wadi Branch
Al-Suwaidi Branch
Al-Rahmania Branch
Al-Rayyan Branch
Al-Rawadah Branch
Al-Rawabi Branch
Al-Nuzha Branch
Al-Naseem Branch
Al-Ghadeer Branch (SNB)*
Al-Aqeeq Branch

Qassem
Buraidah Branch
Onaiza Branch
Alkharj
Al-Kharj Branch
Alzulfi
Al Zulfi Branch

Eastern region
Ohud Branch
Khobar Branch
Jubail Branch
Hafar Al Batin Branch
Dammam Branch (SNB)*
Al-Rayyan Branch
Al-Qateef Branch
Al-Hafoof Branch
Al-Ahsa Branch
Qurtuba Branch

Western region
Jeddah
Prince Sultan
Prince Majed Street Branch (SNB)*
Malik Rd, Branch
Jeddah - Regional Office
Al-Jamaa Branch
Al-Bawadi Branch
Makkah
Makkah Branch
Al-Aziziyah Branch
Al-Madinah Branch
Yanbu Branch
Taif Branch

Southern region
Najran Branch
Khamis Mushait Branch
Jazan Branch
Ahd Rafidah Branch
Abha Branch
Northern region
Tabouk Branch
Hail Branch

*SNB - Special Needs Branch

OUR LEADERSHIP
TEAM

BOARD OF DIRECTORS

Mr. Abdallah Saleh Jum'ah
Chairman of the Board

Former President and CEO of Saudi Aramco. He served on the boards of many companies, including Halliburton.

Appointed:
February 14, 2010

Education:

- Bachelor of Political Science – the American University of Beirut (Lebanon)
- Business Management Program – Harvard University (USA)

Mr. Abdulaziz Al-Khamis
Vice Chairman of the Board

Director General Financial Investments, Public Pension Agency. He held numerous positions with the Saudi Central Bank and is currently a board member of several companies.

Committees:
Nomination and Remuneration Committee

Appointed:
February 14, 2010

Education:

- Bachelor of Economics – Northeastern University (USA)

Mr. Abdul Rahman Al-Rawaf
Non-Executive Board Member

Manager of the Investment Portfolios Department at the General Organization for Social Insurance. He served as a board member of several banks and other companies.

Committees:
Nomination and Remuneration Committee

Appointed:
February 14, 2010

Education:

- Bachelor of Science – Arkansas State University (USA)
- Master of Public Administration – University of Southern California (USA)

Mr. Yasser Aljarallah
Independent Board Member

Chief Executive Officer of Tharwaa Investment Company. He is considered a prominent investment and asset management professional with considerable experience managing his family's investment portfolio. He currently serves as a board member for VC Bank – Bahrain, and Alinma Medical Services Co.

Committees:
Governance Committee (Chairman), Risk Committee

Appointed:
February 14, 2019

Education:

- Bachelor of Economics – University of Southern California (USA)
- Master of Economics – University of Southern California (USA)

Mr. Mohammed Algrenees
Independent Board Member

Head of Local Equity and Fixed Income at Alraidah Investment Co. He serves as a board member for various listed and non-listed companies, and held various investment management positions at HSBC, NCB Capital, and Jadwa Investments.

Committees:
Risk Committee (Chairman)

Appointed:
February 14, 2019

Education:

- Bachelor of Chemical Engineering – Kuwait University (KUWT)

Mr. Mohammed Bamaga
Independent Board Member

Executive Vice President - Saudi Airlines. He is also a board member of the Saudi Federation for Cybersecurity, Programming and Drones. He was a Managing Director at Accenture Middle East and worked as a Regional General Manager of Information Technology in SABIC.

Committees:
Audit Committee, Risk Committee, Shariah Committee (Chairman)

Appointed:
February 14, 2019

Education:

- Bachelor of Management Information Systems - King Fahad University for Petroleum and Minerals (KSA)

Mr. Khaled Al Rowais
Independent Board Member

Previously Vice President - Phosphate at Saudi Arabian Mining Co., Chief Financial Officer & Senior VP-Finance at Saudi Arabian Mining Co. and Director-Finance at Saudi Basic Industries Corp.

Committees:
Audit Committee, Governance Committee, Risk Committee

Appointed:
February 14, 2022

Education:

- Bachelor of Accounting - King Saud University (USA)
- CPA - Colorado Society of CPAs (USA)

Mr. Abdullah Al Zaben
Non-Executive Board Member

Currently serving as the Director General - Sultan Bin Abdulaziz Medical and Educational Telecommunications Program Company

Committees:
Executive Committee, Governance Committee

Appointed:
February 14, 2022

Education:

- Masters in Economics / Finance - University of Alabama (USA)
- Bachelor of Economics - College of Business Administration, King Saud University (Saudi Arabia)

Mr. Mohammed AlKhalil
Non-Executive Board Member

Former Board Member and Chairman for several companies working in real estate, investment, tourism, charity and social community committees.

Committees:
Executive Committee

Appointed:
February 14, 2022

Education:

- Master in Business Administration - Colorado University (USA)
- Bachelor of Computer Science Engineering - King Fahad University (Saudi Arabia)

MANAGEMENT TEAM

Mr. Faisal Abdullah Al-Omran
Chief Executive Officer

Mr. Salman Badar Al-Fughom
Deputy Chief Executive Officer

Mr. Mohammed Abdulaziz Al-Fraih
Chief Operating Officer

Mr. Majed Abdulghani Fakeeh
General Manager – Corporate Banking

Mr. Saad Othman Al-Mazroa
General Manager – Personal Banking

Mr. Shankar Chattanathan
Chief Financial Officer

Mr. Naif Al-Hammad
Treasurer and Chief Investment Officer

Mr. Badr Ahmed Allaf
Chief Compliance Officer

Ms. Monirah Saleh Al-Swaydani
Chief Governance Officer and Board Secretary

Mr. Mansour Mohammed Al-Obaikan
Chief Risk Officer

Ms. Nasreen Saad Aldossary
Chief Human Resources Officer

Mr. Rakan Khaled Al-Musa
Chief Internal Auditor

Mr Thamer Soliman Al-Humayyd
General Manager - Quality

THE SAUDI INVESTMENT BANK
CORPORATE IDENTITY

OUR VISION

To offer the simplest and most accessible products and services to each of our customers.

OUR MISSION

TOWARDS OUR CUSTOMERS

- We make banking simple and accessible for each of our customers.
- We are flexible, adaptive, and responsive to deliver what suits our customers.
- We listen to our customers and understand their needs and preferences in order to evolve and improve.

TOWARDS OUR EMPLOYEES

- We value ideas, inputs, and initiatives.
- We empower our employees to bring out their best and go the extra mile.
- We recognize individual contributions and we support individual development.
- We enhance team spirit, which allows us to collectively build the smartest solutions.

OUR VALUES

- Open-door policy
- Act like owners
- Collaboration
- Transparency
- Detail oriented

OUR SUSTAINABILITY FRAMEWORK

OUR APPROACH AND PHILOSOPHY

For the Bank to create true value in the short, medium and long-term, it is not only important that we remain financially successful, but that we increase the wealth of all our Stakeholders. Our sustainability framework encompasses 5 Islamic principles, crafted to integrate our commercial responsibilities with our social and environmental responsibilities. They also reflect Islamic principles of good governance and management. These pillars are applied throughout our organization – every department is responsible for applying each pillar in terms of Profit, Planet and People, translating every element into measurable targets for both social and business impact.

Hifth (Environmental protection)
The Saudi Investment Bank will build a competitive advantage by embedding environmental management into the Bank's core activities and continuously dematerializing banking. The Bank aims to model the environmental practices sought by the Saudi Arabian Government for the benefit of the Kingdom.

Social impact:
Expanding the contribution of the green, low-carbon economy to GDP and increasing the number of green jobs available.
Business impact:
Gaining revenue from our investment in the green, low-carbon economy and reducing the risk to our investment portfolio.

Awn (Helping others)
The Bank will measure not only the amount of money it invests, but the extent and effectiveness of its impact.
The Bank will focus its investments in areas where it can contribute money, tools, and expertise.

Social impact:
Increasing economic empowerment and reducing poverty.
Business impact:
Unlocking new customer segments and expanding the Bank's potential market. Growth of demand deposit accounts (DDA).

Nummow (Growth)
We aim to deliver strong financial performance for our Shareholders by executing our growth strategy while maintaining a disciplined approach to financial stability.

Social impact:
Encouraging Kingdom citizens' interest in entrepreneurship and increasing the MSME contribution to the GDP.
Business impact:
Expanding our MSME customer base while increasing the sophistication of our processes and services and reducing the credit risk of our MSME customers

Re'aya (Workforce)
The Bank will be the most sought-after Bank to work for, owing first and foremost to its transparency and accountability to both its employees and society.

Social impact:
Increasing the number of volunteers within the Bank and increasing the number of hours they spend on a growing number of volunteer activities.
Business impact:
Creating a volunteer culture within the Bank, thereby addressing the national agenda to grow the number of volunteer activities in the Kingdom.

Takleef (Responsibility)
The Bank will be recognized by customers, investors, employees and the public as the most genuine, integrity based, value driven, and accountable Bank in Saudi Arabia.

Social impact:
Expanding the financial management knowledge and skills of the Kingdom's citizens.
Business impact:
Increasing the sophistication of our processes and services and reducing the credit risk of retail customers. Increasing customer deposits.

SAUDI VISION
2030

Vision 2030 is the overarching framework that drives the aspirations, policies, and plans of the Kingdom today. The Vision is founded upon 3 themes: a vibrant society, a thriving economy, and an ambitious nation. With many of the goals of Vision 2030 being either directly connected with finance or having a financial implication, the Bank plays an important role in achieving the Vision.

A VIBRANT SOCIETY

Vision / goals	The Saudi Investment Bank's contribution	More information
Living by Islamic values	The Islamic principles of Hifith, Awn, Nummow, Rea'ya and Takleef.	Page 29
Focusing our efforts to serve Umrah* visitors	Financing general infrastructure.	Page 114
Living healthy, being healthy	Promoting a healthy life via the Bank's social media channels.	Page 100
Developing our cities	Urban infrastructure project finance.	Page 29
Achieving environmental sustainability	The Bank's Building Management System continues to show a reduction of water and electricity consumption across the Bank's operations.	Page 114
Caring for our families	Emphasis on work life balance.	Page 105
Caring for our health	Promoting a healthy lifestyle.	Page 114

* Islamic pilgrimage to Mecca

A THRIVING ECONOMY

Vision / goals	The Saudi Investment Bank's contribution	More information
Learning for work	Launched The Saudi Investment Bank Knowledge Management System for all employees to improve skills and capabilities across various fields.	Page 106
Boosting our small businesses	Grew the funding of MSMEs.	Page 73
Attracting talent	Enhanced focus on recruiting talented young Saudi employees.	Page 103
Supporting our national companies	Continue to procure services from local Saudi owned businesses and making use of local suppliers.	Page 110

AN AMBITIOUS NATION

Vision / goals	The Saudi Investment Bank's contribution	More information
Embracing transparency	The Saudi Investment Bank Code of Conduct and Whistleblowing policies	Page 135
Engaging everyone	Using all the Bank's channels to communicate regularly with all Stakeholders	Page 34
Being responsible for our lives	Exercise activities	Page 114
Being responsible in business	Bank policies for the protection of all Stakeholders	Page 33
Being responsible to society	Customer awareness activities	Page 88

THE FINANCIAL SECTOR DEVELOPMENT PROGRAM

Of the 11 national Vision Realization Programs designed to translate the Vision into action, the Bank supports the Financial Sector Development Program in particular. This program endeavors to develop a diversified and effective financial sector to support the development of the national economy, diversify its sources of income, and stimulate savings, finances and investments. Ultimately, it aims to boost financial sector institutions, and so develop the Saudi financial market to become an advanced capital market without weakening its financial sector's stability.

The Bank aligns and contributes to the following 2025 program commitments:

National 2025 commitment	The Saudi Investment Bank's contribution
Increase the total assets of the banking sector to SAR 3,515 billion	Bank total assets: SAR 109.1 billion
Increase the market value of the stock market to 80.8% of GDP	Bank market capitalization: SAR 17.34 billion
Increase the volume of debt instruments to 24.1% of GDP	Sukuks issued to bolster Tier 1 capital: SAR 3,215,000
Enable digital innovation by issuing licenses to fintechs and other companies	We support or collaborate with several licensed fintechs and organizations
Increase the share of SME financing in banks to 11%.	MSME loans as percentage of on balance sheet loans: 9.54%
Increase the share of non-cash transactions to 70%.	Number of cashless transactions in 2022: 193 million

Growth, digital innovation, and the MSME sector are core parts of the Bank's strategy.

OUR CHANGING OPERATING ENVIRONMENT

THE GLOBAL ECONOMY

The global operating environment remains volatile, uncertain, complex and ambiguous. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. According to the World Bank, the global economy is projected to grow by 1.7% in 2023 and 2.7% in 2024. The sharp downturn in growth is expected to be widespread, with forecasts in 2023 revised down for 95% of advanced economies and nearly 70% of emerging market and developing economies.

THE GULF COOPERATION COUNCIL (GCC) ECONOMIES

The Gulf Cooperation Council (GCC) is a political and economic alliance of 6 countries in the Arabian Peninsula: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The GCC was established in 1981 to promote economic cooperation and integration among member countries, and over the years, it has become an important regional economic bloc. In recent years, the region has faced a number of challenges, including low oil prices, geopolitical tensions, and the COVID-19 pandemic, which have impacted economic growth and stability. However, despite these challenges, the GCC economies have shown resilience and have continued to make progress in certain areas.

SAUDI ARABIA: MACROECONOMIC FACTORS

Saudi Arabia is one of the largest economies in the Middle East and North Africa region. The economy is heavily dependent on its oil industry, which accounts for the majority of the country's export earnings and government revenue. The Kingdom has been working to diversify its economy in recent years, with a focus on sectors such as tourism, manufacturing, and technology. Saudi Arabia has also been implementing a number of economic reforms, such as reducing subsidies and introducing new taxes, as part of its Vision 2030 plan to reduce its dependence on oil and diversify its economy. The government has also been investing in infrastructure projects, including the construction of new cities and the expansion of transportation networks.

Overall, while the Saudi Arabian economy faces some challenges, such as the volatility of oil prices and the impacts of the recent COVID-19 pandemic, the country has been taking steps to modernize and diversify its economy, which could help it maintain long-term economic growth and stability. In 2022, the Kingdom achieved GDP growth of 8.7% on the back of oil revenue and increased efforts towards a diversified economy.

REGULATIONS

Saudi Arabia's banking industry is one of the most important sectors of the country's economy, providing critical financial services and playing a vital role in supporting economic growth and development. As a result, the regulation of banks in Saudi Arabia is of paramount importance to ensure the stability and integrity of the financial system.

The Saudi Arabian Monetary Authority (SAMA) is responsible for regulating and supervising banks in Saudi Arabia. SAMA is the central bank of the country, and it is tasked with promoting monetary and financial stability while ensuring the safety and soundness of the banking system. SAMA operates under the Saudi Arabian Monetary Agency Law, which provides the legal framework for its activities and defines its responsibilities.

SAMA's primary role in regulating banks in Saudi Arabia is to ensure that they operate in a safe and sound manner and comply with applicable laws and regulations. To this end, SAMA has established a comprehensive regulatory framework that covers all aspects of banking operations, including licensing, capital requirements, risk management, governance, and consumer protection.

One of the key tools that SAMA uses to regulate banks is its supervisory framework. SAMA conducts regular on-site examinations of banks to assess their compliance with regulations, identify potential risks, and ensure that their operations are safe and sound. SAMA also monitors banks' financial performance and assesses their risk management practices to ensure that they are effectively managing their risks.

Another important aspect of the regulation of banks in Saudi Arabia is consumer protection. SAMA has established a comprehensive set of rules and regulations that protects consumers and ensures that banks operate in a fair and transparent manner. These rules cover issues such as disclosure, transparency, and customer service, and they are designed to ensure that consumers are fully informed about the products and services that banks offer.

In addition to its regulatory role, SAMA also plays an important role in promoting innovation in the banking sector. SAMA has established a regulatory sandbox that allows banks and fintech companies to test innovative products and services in a controlled environment. This approach helps to promote innovation while ensuring that new products and services are safe and sound.

In conclusion, the regulation of banks in Saudi Arabia is a critical function that helps to ensure the stability and integrity of the financial system. SAMA plays a key role in regulating and supervising banks, and it has established a comprehensive regulatory framework that covers all aspects of banking operations. Through its supervisory framework, consumer protection rules, and support for innovation, SAMA is working to ensure that the banking sector in Saudi Arabia remains safe, sound, and responsive to the needs of the economy and consumers.

SAIB proactively monitors and assesses regulatory developments to determine their applicability and impact on the Bank. This proactive approach to regulatory developments demonstrates our commitment to implementing appropriate controls to ensure compliance with the ever-expanding regulatory landscape, thereby gaining Stakeholder confidence, trust and satisfaction and also ensuring actions are taken to mitigate exposure to reputational, financial and other regulatory risks.

Regulatory developments and the state of compliance are reported on and monitored by both management and the Board.

COMPETITION

Competition in the banking sector remains fierce, and the landscape has evolved over time to include new entrants, fintechs and big-tech disruptors. These disruptors are revolutionizing the banking experience for clients. While many fintech players have found it hard to scale and are increasingly partnering with traditional banks, big-tech disruptors such as Google, Amazon, Facebook, Apple, Microsoft, Alibaba and Tencent have the financial muscle, as well as the ability to scale, and are therefore arguably a greater threat to traditional banks.

In Saudi Arabia, Vision 2030 welcomes this trend and commits to supporting fintechs. SAMA issued Payment Services Provider Regulations (PSPR) for foreign fintechs and issued new licensing guidelines for digital-only banks. The competition arising from new entrants continues to challenge us to respond through new innovative solutions and market-leading client experiences.

CONSUMER TRENDS

Of a total Saudi Arabia population of 35 million, 96% of Saudi Arabia's people are internet users – one of the highest penetration rates in the world. The population is also relatively young – almost 25% of the Kingdom's citizens are under the age of 14. It is therefore unsurprising that digitalization is on the rise, driven by a technology-savvy youth and amplified by

the restrictions that COVID-19 placed on in-person retail and business.

In March 2023, consumer spending in Saudi Arabia experienced a notable growth of 6%, totaling SAR 120.6 billion (equivalent to SAR 4 billion per day), compared to the previous year's figure of approximately SAR 113.8 billion, indicating a difference of SAR 6.8 billion. According to Al-Eqtisadiah, this surge in spending, based on data from the Saudi Central Bank (SAMA), has led to record-level sales, primarily driven by the Points of Sales (POS) in Riyadh, Makkah, and Madinah. Riyadh, which accounts for 32% of POS sales, witnessed a remarkable 12.9% increase in sales, reaching SAR 17.8 billion. Similarly, consumer spending in Makkah and Madinah experienced growth rates of approximately 32% and 15%, respectively, during the same period.

All of these factors favor banks that are agile and digitalized enough to take advantage of the shifts in the market.

OUR KEY RELATIONSHIPS

Stakeholder engagement

The Saudi Investment Bank is bound to protect the interests of its Stakeholders by the laws and regulations of the Kingdom of Saudi Arabia, including:

- The provisions of the Saudi Companies Act.
- The supervisory guidelines issued by SAMA.
- The Corporate Governance Rules issued by the CMA.

However, maintaining good Stakeholder relations is more than a regulatory obligation – it is a moral and financial imperative. Our Stakeholders affect our viability and success, even as we impact the environment that we live and work in. It is therefore important for us to maintain healthy, 2-way relationships with them. These relationships represent the value capitals that define our performance as an organization.

OUR SUSTAINABLE BUSINESS MODEL

Within the context of its operating environment and strategies, the Bank transforms tangible and intangible resources into measurable outputs.

RESOURCES	INPUTS
FINANCIAL CAPITAL The pool of funds supporting business operations, including cash, loans, advances and other receivables.	• SAR 16.8 billion equity (2021: SAR 16.3 billion) • SAR 12 million debt capital (2021: SAR 81 million) • SAR 69.6 billion customer deposit cash inflows (2021: SAR 61.5 billion)
INVESTOR CAPITAL The individuals, companies or entities that invest capital with an expectation of generating a return.	• Higher share price
CUSTOMER CAPITAL The people who look to us to provide them with innovative and appropriate products and services that fulfil their needs.	• Skilled employees to serve customers • Digital capabilities • Data analytics • Automation

VALUE CREATION ACTIVITIES

WHAT WE DO

Improve performance of the Bank's primary function, which is that of financial intermediation:

Retail banking

Deposit accounts with focus on growing demand deposits, home loans, personal loans, savings account, car finance and cards

Corporate banking

Range of corporate banking services covering the large corporate, mid corporate and MSME sectors including financing, investment services, cards, Cash management, tailor-made corporate banking services and real estate financing

Treasury

Management of foreign exchange transactions, liquidity, and Sukuk issues

This process builds mutually beneficial relationships with the Bank's Stakeholders, with long-term value created for both The Saudi Investment Bank, the people that matter to us, and our environment.

HOW WE DO IT:

We improve our services and solutions through a focus on:

- Digitization
- Agility
- Speed
- Innovation
- Focus

Our value creation process is underpinned by:

CORPORATE GOVERNANCE

- Values and ethics
- Overseeing strategic execution
- Setting the ethical tone
- Compliance and Risk management
- Audit

OUTPUTS	OUTCOMES
• Net income SAR 1,508 million (2021: SAR 1,062 million) • Operating profit before provisions: SAR 1,904 million (2021: SAR 1,539 million) • Operating expenses before provisions for credit and other losses: SAR 1,433 million (2021: 1,270 million) • Provisions for Zakat, net: SAR 1,904 million (2021: SAR 206 million)	We leverage financial capital to invest in our business and grow our competitive market position while delivering value to our Stakeholders.
• During the three month period ended September 30, 2022, the Board of Directors proposed an interim cash dividend of SAR 300 million equal to SAR 0.3 per share, for the year 2022, to 1,000 million eligible shares. The proposed cash dividend was paid during the three month period ended September 30, 2022. During the three month period ended December 31, 2022, the Board of Directors proposed another cash dividend of SAR 450 million equal to SAR 0.45 per share, for the year 2022, to 1,000 million eligible shares	**Value delivered** • Growing dividend payments • Long-term financial benefit **Value derived** • A loyal pool of investors that takes a long-term view on the Bank
	Value delivered • Highly competitive and easily usable products and services • Increased reach through traditional and non-traditional channels • Increased efficiency gains for customer-facing processes **Value derived** • Strong brand recognition • Growing customer base • Growth in market share

RESOURCES	INPUTS
EMPLOYEE CAPITAL The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with our objectives.	• 1,321 permanent employees (Bank only) (2021: 1,353) • Experienced and ethical leadership team • Recruitment and headcount management system • Performance management system • Tools for remote working • Automation
BUSINESS PARTNER CAPITAL The relationship we have built with business partners allows us to expand our reach and obtain the best possible solutions for our needs.	• Partnering with the best • Relationship-building initiatives • Mutually beneficial agreements
INSTITUTIONAL CAPITAL The intangibles that sustain the quality of our product and service offering, which provides the Bank's competitive advantage, such as our governance policies, values and ethics, business processes, and cutting-edge technology.	• An agile corporate culture and project management • IT systems and enterprise architecture • Balance sheet management • Market and data analytics • Innovation and Customer Experience Center
SOCIAL AND ENVIROMENTAL CAPITAL The relationships and collaborations we maintain with our community, and the renewable and non-renewable resources that underpin our long-term sustainability.	• Sustainable ESG practices • Spend on social initiatives over : SAR 4 million million (2021: SAR 3.1 million) • Lending to environmentally friendly projects: SAR 567 million (2021: 934 million) • Electricity consumption: 31,635 MWh (2021: 25,419 MWh) • Petrol/Diesel consumption: 58,338 Litres (2021: 72,192 litres)

OUTPUTS	OUTCOMES
• Employee number growth: -2.3% (2021: 2%) • Female representation: 22% (2021: 24%) • Saudization: 91% (2021: 91%) • Salaries and employee-related expenses: SAR 747 million (2021: SAR 687 million) • Employees trained: 80% (2021: 40%) • Turnover rate: 1.32% (2021: <1%)	**Value delivered** • Professional development • Clear advancement opportunities • A positive and productive work culture **Value derived** • A dedicated and empowered workforce with high rates of employee retention • Attracting the best talent as an employer of choice • Internal efficiency gains • Diversity and Saudization
• Cross-sell growth with subsidiaries • Partner revenues through Bank channels: • Revenue derived from partnerships:	**Value delivered and derived** Mutually beneficial partnerships for greater customer satisfaction

• Cybersecurity certification: ISO270001
• Cybersecurity investment
• Data security breaches: 0 (2021: 0)
• International credit ratings (long-term):
  • Moody's: A3
  • S&P: BBB
  • Fitch: BBB+
  • Capital Intelligence A-
	Value delivered
	• Market-leading products and services
	• Increased accessibility through traditional and non-traditional channels
	• Privacy and data protection
	Value derived
	• A trustworthy brand that resonates with consumers
	• Market leadership through distinctive capabilities that competitors cannot replicate easily
	• Smoother systems that facilitate better customer service and reduce manual intervention
	• Increased reach through traditional and non-traditional channels

• Responsible management of waste and emissions • Lending to environmentally friendly projects: 1.59% • Reductions in electricity usage: 250 MWh	**Value delivered** • Enabling the Kingdom's Vision 2030 **Value derived** • A stronger brand • Maintaining our social license to operate

Strategic Review 03

CHIEF EXECUTIVE OFFICER'S REPORT

During 2022, we invested in digitization of our processes and systems, allowing us to offer our customers a range of access points.

Faisal Abdullah Al-Omran
Chief Executive Officer

The Bank delivered a strong financial performance during 2022 and achieved its highest profitability in over 10 years. This pleasing performance was driven by disciplined strategic execution, a robust organizational culture and sound corporate governance. We expect this momentum to continue in the near term as we remain focused on maintaining adequate capital levels and pursuing organic growth opportunities.

Succeeding through strategy

Our positive results during 2022 reflect the hard work of the team in implementing the Bank's 2020-2022 strategy. The Bank's incoming strategy will be underpinned by carefully considered value drivers that include the adoption of digital technologies, a continued focus on market segmentation and building the momentum of aligning SAIB's strategy with the Kingdom's Vision 2030.

A winning people culture

Our ability to create sustainable value depends on the caliber of our people. Consequently, we aim to attract the best talent and retain them through competitive remuneration and by embedding a positive work environment. During 2022, we invested significantly in our human capital, focusing on professional development, workforce diversity and on creating a positive and productive work environment. Our culture metrics have shown that employee engagement, morale and trust in leadership remain high. Further information is provided on page 105 of this report.

Material risks and opportunities

The Fourth Industrial Revolution, accelerated by Covid-19, has led to increased automation and integration of artificial intelligence and robotics as businesses seek faster, more-efficient and less-resource heavy processes. Therefore, our material risks and opportunities revolve around technological advancements, data privacy and Cybersecurity. We view technology as a key enabler of operational efficiencies and productivity, modernize our customer experience and encourage greater connection to our brand and vision. This enables us to remain competitive and achieve our growth ambitions at all levels.

During 2022, we invested in digitization of our processes and systems, allowing us to offer our customers a range of access points. We also implemented appropriate measures to ensure data privacy and to enhance our cyber and information security environment. I am pleased with the progress made by our investments in technology, data privacy and cybersecurity have yielded in improving operational efficiencies and delivering market-leading client experiences.

Outlook

Looking ahead, our vision is to build a client-centric Bank. We aim to deliver sustainable value for our stakeholders by being a purpose-driven organization that pursues organic growth opportunities through disciplined strategic execution. Our employees will be in the forefront of building the SAIB brand and in engaging with clients and other stakeholders. We will continue supporting our employees by creating a diverse, healthy and safe working environment where we collaborate to meet the challenges of an increasingly complex world.

Acknowledgements

I would like to express my gratitude to the Government of the Kingdom for their visionary leadership and guidance towards the realization of Vision 2030, and for the Saudi Central Bank (SAMA) for leading and guiding the financial sector so astutely. I also extend my gratitude to the members of the Board for their ongoing support and wise counsel and to my Executive team and all our valued employees for their dedication and their strong work ethic and unwavering commitment that has been integral to the success of the Bank.

Faisal Abdullah Al-Omran
Chief Executive Officer

OUR MATERIAL RISKS AND OPPORTUNITIES

The risk landscape for financial services continues to evolve rapidly. However, one thing that has not changed is that the business of banking remains fundamentally about the management of risk. Despite the challenging risk landscape, the Bank's approach to risk management is underpinned by a commitment to ethical practice and sustainable value creation.

Risks are becoming increasingly interconnected and emerging risks are cutting across and impacting multiple risk categories, including the traditional banking risks such as capital, credit and liquidity, calling for increased integration of risks and risk management.

We apply the principle of materiality when assessing what information should be included in our integrated report. The Bank focuses on those matters, opportunities, and challenges that impact materially on the Bank and its ability to be a sustainable business that consistently delivers value to Shareholders and key Stakeholders. The interaction between our material matters, business model, and strategy determines our success in the short, medium, and long-term.

MANAGEMENT APPROACH

The Bank identifies the topics that have the most impact on its value creation process through a multi-step process:

Identify
Conduct a PESTEL analysis of potential material issues, categorized by each impacted Stakeholder group.

Evaluate
Determine topics that have the most impact on Stakeholders and/or the Bank.

Prioritize
Assess the degree of importance of a topic according to its relevance to the Bank or its Stakeholders, as well as its likelihood of occurring and the possible magnitude of impact.

Apply
Incorporate the materiality analysis findings in the formulation of the Bank's strategies and strategic imperatives.

OUR MOST MATERIAL RISKS AND OPPORTUNITIES IN 2022

THE EVOLVING MACROECONOMIC ENVIRONMENT

Risks	Opportunities
• Economic slowdown and instability • Increasing governance and accountability requirements	• Vision 2030 drive to support SMEs • Higher spending power in local population • Vision 2030 focus on diversification, with an expected increase in non-oil revenue

The Bank is subject to external environmental factors that are beyond our control and that often pose a risk, but which can also present opportunities.

The Kingdom of Saudi Arabia has been experiencing economic turbulence brought on by lower oil-prices and compounded by volatile international markets and the rising cost of living which have triggered a global economic slowdown. The global economic slowdown impacts the banking sector through decreased consumer spending. In order to insulate the economy against oil price related shocks, the Kingdom places a strong emphasis on diversification as part of Vision 2030. This is expected to bolster non-oil revenues, providing stability to the economy and benefits for the banking sector. At present, as oil prices rise, economic prospects are also looking up for the Kingdom. This will boost consumer spending.

The diversification strategy also involves strengthening the MSME sector, partly through the parallel Nomu stock market that provides MSMEs with a funding avenue until they are eligible to migrate to the Tawadul stock market. The growth of the MSME market is a major opportunity for banks that are able to tap into that market with MSME-focused products and services.

At the same time, investors and governments around the world are increasingly concerned about financial malpractice. Anti-fraud and anti-terrorism pressures affect the banking sector in particular, due to the channels for ill-gotten money or funding illegal activities. The emphasis on greater environmental and social impact, as well as dependable governance, is also accelerating. It is every organization’s responsibility to remain compliant to retain their social and legal license to operate.

CHANGING CUSTOMER EXPECTATIONS

Risks	Opportunities
• Rising customer expectations	• Maintaining customer satisfaction • Adherence to Islamic banking principles

As the market becomes more competitive with the entrance of new players such as fintech and digital banks, customers are becoming more discerning, requiring better service with a greater product range and more features. However, banks that can compete with a unique product range, service quality and digital accessibility, rather than on price, are set to gain market share when the economy grows. Adhering to Islamic banking principles not only aligns the Bank to the national agenda but provides access to a specialized market.

EMPLOYEE SATISFACTION AND ENGAGEMENT

Risks	Opportunities
• Insufficient employee satisfaction and engagement	• Employee satisfaction and engagement • Employee training • Equal opportunity and anti-discrimination • Remote working

The fundamental shift in how people have been living and working for the past two years has heightened the focus on the physical and mental well-being and safety of employees. Ongoing uncertainty and instability during unprecedented times continue to influence the human capital agenda of organizations, particularly within financial services. Global trends are shaping workplace and workforce demands and practices as we reimagine the future world of work.

These trends have resulted in employee engagement being both a risk and an opportunity. Organizations that treat employees badly risk being sidelined and losing access to the best skills on offer in the job market. For those that can maintain high levels of satisfaction and engagement, the rewards include higher levels of productivity, innovation, and team cohesion, as well as lower turnover and a culture that attracts top performers.

DIGITALIZATION AND AUTOMATION

Risks	Opportunities
• Cybersecurity threats • New market entrants, especially fintechs and digital banks	• Digital banking services • Innovation and product development • Cloud computing • Automation • Blockchain

The banking sector is characterized by digitalization.

Numerous fintechs and digital banks are entering the market and their smaller size often makes them more agile, while low overheads grants them cost advantages over bigger banks.

However, digitalization also comes with immense opportunities. The Bank stands to benefit from automation, including through artificial intelligence robotics and cloud computing that contribute to an agile and more cost-effective environment. It allows us to serve our customers better with innovative products and digital services, such as e-onboarding and online access to their bank services anywhere. Blockchain, which may pose a threat to the traditional banking model and financial system, may open new revenue opportunities if a bank embraces it correctly.

On the flipside, customer information in bank databases is a prime target for cyber-criminals and hackers. Should a bank's cybersecurity be breached, it can result in substantial financial losses, compounded by the loss of reputation and customer trust. This remains one of the banking sector's greatest threats.

SOCIAL RESPONSIBILITY

Risks	Opportunities
• Loss of social license to operate	• Community investment and engagement • Environmentally friendly corporate practices • Increasing demand for green banking and green lending

As international pressure grows for large corporates and other organizations to embed responsible social, environmental and governance practices, companies are responding by incorporating every element of the triple-bottom line – people, profit and planet – into their strategies and activities. Those that are truly socially and environmentally responsible are often rewarded with a healthier corporate culture and a more loyal workforce, as well as long-term sustainability. In the banking sector, there is increasing demand for green lending that rewards financial institutions for protecting the environment while adding value for Shareholders. Companies that are evidently in business for profits only, stand to lose their social licenses to operate. These days communities, customers and employees look for organizations that reflect their social and environmental values.

MATERIALITY
MATRIX

OPPORTUNITIES TO BE SEIZED

Importance to Stakeholders				
	Very high		O2, O8, O15, O16, O17	O1, O3, O5, O6, O10
	High		O9, O14	O4, O7, O11
	Moderate			O12, O13
		Moderate	High	Very high
		Importance to the Saudi Investment Bank		

O1 Vision 2030 drive to support SMEs
O2 Vision 2030 focus on diversification, with an expected increase in non-oil revenue
O3 Higher spending power in local population
O4 Maintaining customer satisfaction
O5 Adherence to Islamic banking principles
O6 Employee satisfaction and engagement
O7 Employee training
O8 Equal opportunity and anti-discrimination
O9 Remote working
O10 Digital banking services
O11 Innovation and product development
O12 Cloud computing
O13 Automation
O14 Blockchain
O15 Community investment and engagement
O16 Environmentally friendly corporate practices
O17 Increasing demand for green banking and green lending

RISKS TO BE MITIGATED

Importance to Stakeholders		Importance to the Saudi Investment Bank: Moderate	High	Very high
	Very high			R1, R2, R5
	High		R4, R7	R3, R6
	Moderate			

R1 Economic slowdown and instability
R2 Compliance with growing governance and accountability requirements
R3 Increasing customer expectations
R4 Human and labor rights
R5 Cybersecurity threats
R6 Loss of social license to operate

Our five material topics, with the material risks and opportunities attached to each, are described in the following pages.

OUR STRATEGIC FRAMEWORK

2022 marked the final year of the Bank's 3-year strategy, which focused on agility – bringing new products to market faster by enabling collaboration between employees and our partners to drive efficiency and productivity. Our new strategy centers on accelerating profitable growth, increasing our customer base and building a differentiated value proposition. This strategy will continue to drive long-term Shareholder returns and profitability while enabling the Bank to outperform competitors.

OUR STRATEGY

The Bank's new strategy has been designed in conjunction with macro-trends and customer behavior analysis, competitor insights, banks current capabilities and international best practices. The core objective of the strategy is to accelerate growth in core business segments in addition to the continuous investment and expansion of digital proposition. The business strategy includes significant investment in Information Technology (IT), operations, risk and organization effectiveness to enable growth.

OVERVIEW OF STRATEGY IN VARIOUS SEGMENTS AND BUSINESS LINES

Corporate Banking: accelerate profitable growth

- Increase customer centricity by redesigning the Bank's operating model and through improved market segmentation
- Achieve customer primacy by revamping value proposition and launching new products and strategic partnerships
- Improve customer experience by streamlining and automating key processes

Private Banking: accelerate profitable growth

- Elevate the role of Private Banking to increase focus on high value customers
- Improve customer experience by redesigning the operating model and through market segmentation
- Become a bank of choice for High Net Worth (HNW) and Ultra High Net Worth (UHNW) customers by introducing new products, revamping the investment portfolio and redesigning key customer journeys

Public Institutions: increase customer base and cross-sell ratio

- Develop a core offering for Public Institutions (PIs) given the importance of this segment in line with Vision 2030
- Optimize the value proposition for PI customers by improving existing products and bringing the best of SAIB's cross-functional offering

Affluent Consumers: build differentiated value proposition

- Transform the Bank's digital capabilities through investments into relevant technologies
- Improve the overall value proposition for affluent consumers, including journeys, products and investment propositions

Treasury and Investment: enable and support funding of strategy

- Maintain optimal risk-return on investments
- Maintain an optimal balance mix of liabilities to lower cost of financing
- Increase cross-selling of products
- Maintain prudent capital management

KEY ENABLERS FOR ACHIEVING THE STRATEGIC DIRECTION

- Enhance enterprise risk management and capabilities
- Automate key risk processes to speed up decision-making
- Review risk appetite to cater better for priority segments/sectors in line with new strategy
- Increase reporting and insight capabilities to drive prudent risk practices

Innovation to keep pace with future development

- Build new partnerships with fintech and startups
- Develop innovative solutions and products for select segments

Information Technology: strengthen digital and analytics

- Introduce new tools to support front liners in Corporate Banking and Private Banking
- Build automated testing and pipeline systems
- Build a centralized data warehouse and data lake for central data processing, advanced analytics and governance
- Institutionalize agile ways of working

Organization: enhance organizational effectiveness and culture

- Hire the talent that is needed to support strategic execution
- Improve organizational health and culture

Strengthen the Bank's affiliates

- Strengthen cooperation with affiliates through cross-selling of products and services, referrals, and incentives

KEY ELEMENTS OF THE 3-YEAR STRATEGY

Agility

An agile framework enables and promotes close collaboration between the business and support functions. It is central to our strategy, helping the Bank to achieve shorter product launch cycle times, attract and retain talent, and boost efficiency and productivity.

Focus

Our customer-centric focus ensures that we create exceptional customer experiences. Our business units are structured to serve specific target markets with greater efficiency and effectiveness. .

Innovation

SAIB promotes an innovative culture through its Innovation and Customer Experience Center, the first of its kind in the sector, which monitors customer needs, promotes internal idea-generation and launches innovative products. The center has adopted state-of-the-art tools and techniques and is a one of its kind in the market, engaging customers as part of the development cycle. It ensures that customer feedback is always considered as part of enriching the customer experience.

Speed

The Bank continues to automate more processes to improve effectiveness and efficiency, both to enhance the customer experience, and to reduce the turnaround times for all offered services.

Digitization

In 2022, we automated multiple customer services in order to minimize branch visits. The automation of our customer services enabled us to improve customer experience and efficiencies during applications for personal loans and credit cards. Automation also facilitates the use of eSignatures when signing contracts and enables the use of robotics for repetitive tasks. This will allow us to improve the quality of services we offer our clients while reducing costs and ensuring a business that is future-fit and apace with technological advancements.

3 YEAR STRATEGY

KEY ENABLERS TO SUPPORT THE STRATEGY

We identified 5 key enablers that supports our strategic objectives:

Strengthen the Bank's affiliates

Our partners are key to the Bank's success. We promote cooperation through cross-selling referrals, and incentives to drive business growth.

Transform human capital

We promote a supportive and transparent culture that enables employees to develop and grow through training programs that focus on products and operations, skills, innovation support and enhancing our corporate culture. Effective recruitment and headcount management maximizes the value of every Riyal invested in our workforce, while performance management enforces accountability.

Grow innovation capabilities

The Innovation and Customer Experience Center is central to creating an innovative culture in the Bank by drawing ideas from across the organization. These ideas are not just logged and forgotten but developed into targeted customer solutions.

Build an efficient organization

We institutionalize fast and effective decision-making, with a focus on supporting the Bank's clients. Creating clear accountability, supporting the Bank's digital transformation, and effective compliance with rules and regulations inculcates a culture of efficiency within the Bank.

Strengthen IT capabilities

As we digitalize, our IT capabilities support an effective agile methodology, as well as streamlining and strengthening our internal processes. With greater digitalization comes greater cyber-risk, and we therefore invest heavily in cybersecurity.

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

The Bank's strategy was designed with the Kingdom's Vision 2030 in mind, specifically the Financial Sector Development Program. We focus on improving banking services and digital transformation to drive greater efficiencies and realize enhanced customer experiences. To achieve this, the strategy promotes cashless transactions, a savings culture, financial literacy, and supports the housing market through customized mortgage finance products.

For more detail around how SAIB aligns with Vision 2030, see page 30.

5 KEY ENABLERS

Performance Review 04


2022
100 %
80 %
60 %
40 %
20 %
10 %

FINANCIAL
CAPITAL

The Saudi Investment Bank's financial capital comprises monetary assets that include customer deposits, funds from investment activities, and Shareholder funds. The Bank utilizes these assets to conduct its operations and offer its products and services.

2022 HIGHLIGHTS

Net income increased by	Total operating income increased by	Operating expenses increased by
42%	**18.6%**	**12.83%**

2023 FOCUS AREAS

Agility	Innovation	Impact

Our financial capital supports delivery of our long- and medium-term targets and enables us to create sustainable value for our Stakeholders. We have a strong balance sheet to support growth and at the same time protect us against any unexpected downside risks. Overall responsibility for financial performance at Group level remains with the Group CFO, CEO, and the Board of Directors under a Chairman. The Bank evaluates its management approach through a process steered by the Board of Directors. The Bank audits and publishes its results in quarterly and annual reports.

FINANCIAL PERFORMANCE

	2022 SAR million	2021 SAR million
Total income[1]	3,336	2,823
Total expenses[2]	1,433	1,284
Operating profit before provisions	1,904	1,539
Provisions for credit and other losses	192	271
Provisions for Zakat and Income Tax[3]	204	206
Net income	1,508	1,062
Loans and advances, net	68,883	57,803
Investments	28,180	28,842
Investments in associates	923	884
Total assets	109,071	101,588
Term loans	-	-
Subordinated debt	-	-
Customer deposits	69,579	61,515
Shareholders' equity	13,575	14,801
Tier 1 Sukuk	3,215	1,500
Total equity	168,000	16,301
Return on average Shareholders' equity (%)	16,790	7.55
Return on average assets (%)	1.43	1.05
Capital adequacy (%)	18.22	20.84
Equity to total assets (%)	15.39	16.05

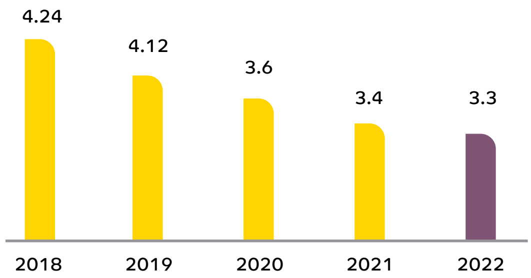
1) Total income includes total operating income plus share in earnings of associates.
2) Total expense includes total operating expenses before impairment charges.

FINANCIAL POSITION

GROWTH IN TOTAL ASSETS

SAR 109.1 billion
as at December 31, 2022
(2021: SAR 101.6 billion)
7.38% ↑

The Saudi Investment Bank's asset share (%)
(SAR million)



Cash and balances with SAMA

SAR 6.4 billion
as at December 31, 2022
(2021: SAR 5.9 billion)
8.5% ↑

Investments

Investment portfolio:

SAR 28.2 billion
as at December 31, 2022
(2021: SAR 28.8 billion)
2.1% ↓

Investments classified as investment grade:

94.22%
of total portfolio as at December 31, 2022
(2021: 87.84%)
6.3% ↑

Loans and advances, net

Loans and advances, net:

SAR 68.9 billion
as at December 31, 2022
(2021: SAR 57.8 billion)
19.20% ↑

Total performing loans:

SAR 69.6 billion
as at December 31, 2022
(2021: SAR 58.7 billion)
18.6% ↑

Non-performing loans totaled SAR 1.1 billion as at December 31, 2022 which was the same as at December 31, 2021. Non-performing loans as a percentage of total loans and advances was 1.59% as of December 31, 2022, compared to 1.89% as of December 31, 2021.

LOANS AND ADVANCES

Loans and advances, including non-interest-bearing banking products

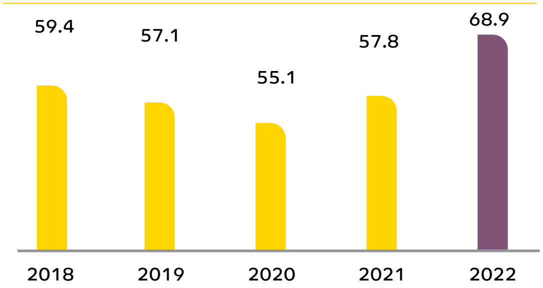
SAR 52.2 billion

as at December 31, 2022

(2021: SAR 42.1 billion)

24% ↑

Loans and advances (SAR billion)



Non-performing loans

Total non-performing loans:

SAR 1.1 billion

as at December 31, 2022

(2021: SAR 1.1 billion

⟷

Non-performing loans as percentage of total loans and advances:

1.59%

as at December 31, 2022

(2021: 1.85%)

16% ↓

Allowance for credit losses

Total allowance for credit losses:

SAR 1.8 billion

as at December 31, 2022

(2021: SAR 2.0 billion)

11% ↓

2.59%

of total loans

(2021: 3.29%)

162.99%

of non-performing loans

(2021: 177.27%)

Collateral as security to mitigate credit risk on loans and advances

SAR 78.1 billion

as at December 31, 2022

(2021: SAR 72.2 billion)

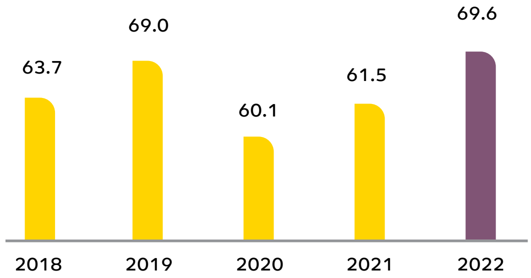
8% ↑

Collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets.

CUSTOMER DEPOSITS

Total customer deposits
SAR 69.6 billion
as at December 31, 2022
(2021: SAR 61.5 billion)
13.17% ↑

Customer deposits
(SAR billion)



Demand and other deposits

Total demand and other deposits:

SAR 31.2 billion
as at December 31, 2022
(2021: SAR 34.2 billion)
8.65% ↓

Demand and other deposits as percentage of total:

44.89%
as at December 31, 2022
(2021: 55.63%)
10.74% ↓

Special commission bearing deposits

SAR 11.1 billion
as at December 31, 2022
(2021: SAR 27.3 billion)
41% ↓

TERM LOANS

Total term loans
SAR 0
as at December 31, 2022
(2021: SAR 0 million)

TOTAL EQUITY

Total equity
SAR 16.8 billion
as at December 31, 2022
(2021: SAR 16.3 billion)
3% ↑

	2022	2021	2020	2019	2018
Total equity (SAR billion)	16.8	16.3	15.3	14.0	13.4
Return on average Shareholder equity (%)	10.63	7.55	7.73	2.03	4.73

Total equity to total assets:
15.39%
as at December 31, 2022
(2021: 16.04%)
3% ↓

Shareholder equity leverage ratio:
8.03
as at December 31, 2022
(2021: 6.87)
17% ↑

TIER I SUKUK PROGRAM

The Bank established a Shariah-compliant Tier I Sukuk Program in 2016. The program was approved by the Bank's regulatory authorities and Shareholders. In 2022, the Bank formalized plans to establish a Sukuk program denominated in Saudi Riyals and worth up to SR2 billion ($533 million). This is part of an effort to enhance the Tier 1 capital and fulfil our financial and strategic needs. Alistithmar Capital was selected as the lead manager and bookrunner for the potential offer.

	2022 SAR '000s	2021 SAR '000s
June 6, 2017	1,000,000	285,000
March 21, 2018	215,000	1,000,000
April 15, 2019	2,000,000	215,000
Total	3,215,000	1,500,000

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

CAPITAL ADEQUACY

Tier I and II capital adequacy ratio

18.22%

as at December 31, 2022

(2021: 20.84%)

	2022	2021	2020	2019	2018
Tier I ratio	17.64%	20.09%	20.29%	17.48%	16.25%
Tier I + II ratio	18.22%	20.84 %	21.21%	18.26%	19.31%

The Bank aims to comply with the capital requirements set by SAMA. This enables us to safeguard customer deposits and to continue as a going concern, while maintaining a strong capital base. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

The Bank 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 assets, commitments, and notional amounts of derivatives, at a weighted amount to reflect their relative risk.

Operating income

Total operating income

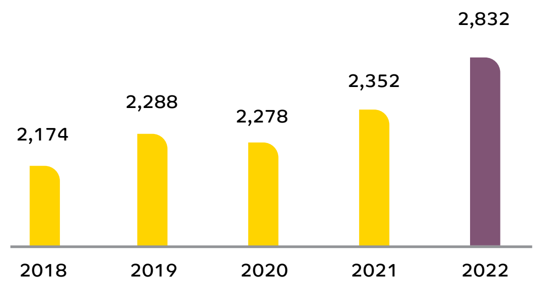
SAR 3,265 million

as at December 31, 2022

(2021: SAR 2,768 million)

18.60% ↑

Net special commission (SAR million)



Net special commission income:
SAR 2,832 million
as at December 31, 2022
(2021: SAR 2,360 million)
20.41% ↑

Banking service fees net:
SAR 295 million
as at December 31, 2022
(2021: SAR 334 million)
9.51% ↓

Exchange income, net:
SAR 196 million
as at December 31, 2022
(2021: SAR 162 million)
20.99% ↑

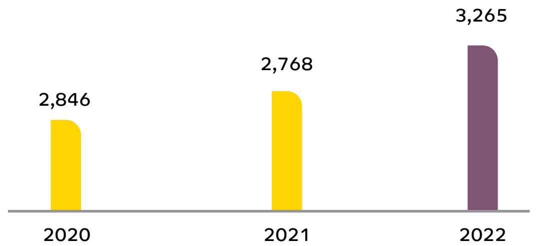
Proposed cash dividend[1]:
SAR 300 million
equal to
SAR 0.3 per share, to 1,000 million eligible shares

Unrealized fair value:
SAR 71 million
net loss
as at December 31, 2022
(2021: SAR 183 million loss)
61% ↓

Other investment related gains:
SAR 12 million
as at December 31, 2022
(2021: SAR 81.0 million)
85% ↓
Income recognized through profit and loss and sales of debt securities.

Other operating income:
SAR 138 million
as at December 31, 2022
(2021: SAR 74 million)
86% ↑

Total operating income (SAR million)



[1] During the 3-month period ended September 30, 2022, the Board of Directors proposed an interim cash dividend of SAR 300 million equal to SAR 0.3 per share, for the year 2022, to 1,000 million eligible shares. The proposed cash dividend was paid during the 3-month period ended September 30, 2022.

Geographical distribution of operating income (SAR million)	2022	2021	2020
Central region	2,536	2,179	2,365
Western region	445	368	281
Eastern region	284	221	200

Operating expenses before provisions for credit and other losses

Total operating expenses before provisions for credit and other losses

SAR 1,433 million

as at December 31, 2022

(2021: SAR 1,270 million)

12.83 ↓

Salaries and employee related expenses:

SAR 747 million

as at December 31, 2022

(2021: SAR 687 million)

8% ↑

Rent and premises:

SAR 68 million

as at December 31, 2022

(2021: SAR 70 million)

3% ↓

Depreciation and amortization:

SAR 155 million

as at December 31, 2022

(2021: SAR 151 million)

2% ↑

Other general and administrative expenses:

SAR 463 million

as at December 31, 2022

(2021: SAR 362 million)

27% ↑

PROVISIONS FOR CREDIT AND OTHER LOSSES

The provisions for credit and other losses incurred in 2022 compared to 2021 are summarized as follows:

Provisions for credit losses:	**2022 SAR'000s**	**2021 SAR'000s**
Due from banks and other financial institutions	(6,881)	5,430
Investments	(15,747)	(5,200)
Loans and advances	150,877	254,432
Financial guarantee contracts	37,556	(6,423)
Other assets	(9)	(181)
Provisions for credit losses	165,796	248,058
Provisions for real estate and other losses	25,773	23,008
Provisions for credit and other losses	191,569	271,066

SHARE IN EARNINGS OF ASSOCIATES

Share earnings of associates:

SAR 71 million

as at December 31, 2022

(2021: SAR 55 million)

29% ↑

PROVISIONS FOR ZAKAT AND INCOME TAX

Provisions for Zakat and Income Tax:

SAR 204 million

as at December 31, 2021

(2021: SAR 206 million)

1% ↓

Provisions for Zakat	2022 SAR'000s	2021 SAR'000s
Provisions – current and prior period	204,110	239,393
Reversal of Zakat – prior period	-	(33,782)
Provisions for Zakat, net	204,110	205,611

NET INCOME

Net income:

SAR 1,508 million

as at December 31, 2022

(2021: SAR 1,062 million)

42 % ↑

Return on average assets:

1.43%

as at December 31, 2022

(2021: 1.05%)

27% ↑

Return on average Shareholders' equity:

10.63%

as at December 31, 2022

(2021: 7.55%)

29% ↑

	2022	2021	2020	2019	2018
Total income[1]	3,336	2,823	2,892	2,906	2,824
Total expenses[2]	1,433	1,284	1,214	1,234	1,133
Net income	1,508	1,062	980	239	576

1) Total income includes total operating income plus share in earnings of associates.
2) Total expense includes total operating expenses before impairment charges.

Net income by operating segment

	2022 SAR'000s	2021 SAR'000s
Personal Banking	539,843	80,782
Corporate Banking	898,563	448,235
Treasury and Investments	474,488	752,288
Asset Management and Brokerage	81,963	111,487
Others*	(282,892)	(125,525)
Income before provisions for Zakat and Income Tax	1,711,965	1,267,267
Provisions for Zakat and Income Tax	(204,110)	(205,611)
Net income	1,507,855	1,061,656

*Others includes the net results related to Information Technology, Operations, Risk, and other support units.

PROFIT DISTRIBUTION

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 377 million was transferred from 2022 net income. The statutory reserve is not currently available for distribution.

During the 3-month period ended September 30, 2022, the Board of Directors proposed an interim cash dividend of SAR 300 million equal to SAR 0.3 per share, for the year 2022, to 1,000 million eligible shares. The proposed cash dividend was paid during the 3-month period ended September 30, 2022.

During the 3-month period ended December 31, 2022, the Board of Directors proposed another cash dividend of SAR 450 million equal to SAR 0.45 per share, for the year 2022, to 1,000 million eligible shares.

5-YEAR FINANCIAL HIGHLIGHTS

A summary of the Bank's operations, financial position, and key ratios follows:

	SAR in millions				
	2022	**2021**	**2020**	**2019**	**2018**
Operations					
Total income[1]	3,336	2,823	2,892	2,906	2,824
Total expense [2]	1,433	1,284	1,214	1,234	1,133
Operating profit before provisions	1,904	1,539	1,678	1,672	1,691
Provisions for credit and other losses	192	271	449	1,343	247
Provisions for Zakat and Income Tax[3]	204	206	249	90	868
Net income	1,508	1,062	980	239	576
Financial position					
Total assets	109,071	101,588	99,885	100,815	96,070
Loans and advances, net	68,883	57,803	55,074	57,112	59,413
Investments	28,180	28,842	30,514	26,175	24,638
Investments in associates	923	884	846	994	1,012
Term loans	-	-	2,006	2,012	2,030
Subordinated debt	-	-	-	-	2,006
Customer deposits	69,579	61,515	60,144	69,058	63,690
Shareholders' equity	13,575	14,801	13,331	12,007	11,621
Tier I Sukuk	3,215	1,500	2,000	2,000	1,785
Total equity	16,790	16,301	15,331	14,007	13,406
Key ratios					
Return on average Shareholders' equity (%)	10.63	7.55	7.73	2.03	4.73
Return on average assets (%)	1.43	1.05	0.98	0.24	0.61
Capital adequacy (%)	18.22	20.84	21.21	18.26	19.31
Equity to total assets (%)	15.39	16.05	15.35	13.89	13.95

1) Total income includes total operating income plus share in earnings of associates.
2) Total expense includes total operating expenses before impairment charges.
3) The years prior to 2018 have not been adjusted for provisions for Zakat and Income Tax.

REGULATORY PAYMENTS

The Bank in the ordinary course of its business, makes regulatory payments including Zakat, Income Tax, Withholding Tax, Value Added Tax, and other regulatory payments.

A summary of the payments made during 2022 is given below, which also includes regulatory fines incurred during the year.

Zakat settlement

In December 2018, the Bank agreed with the GAZT to a settlement of Zakat assessments for the years 2006 to 2017 for SAR 775.5 million. The discounted Zakat liability of SAR 711.8 million was fully provided for through a charge to the consolidated statement of income, with the corresponding liability included in other liabilities as of December 31, 2018.

Following annual payments as per the settlement agreement, the undiscounted Zakat settlement liability remaining to be paid and the net discounted Zakat liability is as follows:

	SAR'000s
December 1, 2023	124,072
Undiscounted Zakat settlement liability	124,072
Less: Discount	(4,182)
Net discounted Zakat liability	119,890

The Zakat settlement also included provisions for the Bank to calculate the Zakat liability for the year ended December 31, 2018 using the same methodology as was agreed in the settlement for the prior years. The 2018 Zakat was calculated based on this method and charged to the consolidated statement of income in 2018 and was settled by April 30, 2019.

The Zakat settlement did not include the year 2005. However, the Bank provided for an additional Zakat liability for 2005 amounting to SAR 38.6 million which was charged to the consolidated statement of income in 2018 and was settled in 2019.

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 Bank has provided for Zakat for the years ended December 31, 2022 and 2021 on the basis of the Bank's understanding of these rules.

Withholding tax:

SAR 19.4 million

For the year ended December 31, 2022

(2021: SAR 13.9 million)

39% ↑

Value Added Tax (VAT):

SAR 109.3 million

For the year ended December 31, 2022

(2021: SAR 119.4 million)

9% ↓

Other regulatory payments

The Bank paid SAR 52.7 million to the General Organization for Social Insurance for its employees, including the employee share of SAR 24.3 million during the year ended December 31, 2022. The Bank also paid SAR 1.2 million for visa and other related governmental fees during the year ended December 31, 2022.

Regulatory penalties and fines

During 2022, the Bank received 10 regulatory fines from the Saudi Central Bank amounting to SAR 1,442,850. Below is a breakdown of regulatory fines borne by the Bank during 2022 and 2021.

	2022		2021	
Description of the fine	**# of SAMA decisions**	**Amount in SAR**	**# of SAMA decisions**	**Amount in SAR**
Violating SAMA's Supervisory Instructions	8	1,427,850	3	20,000
Violating SAMA's Instructions for Customer Due Diligence	1	-	2	955,000
Violating SAMA's Instructions for Consumer Protection	-	-	-	-
Violating SAMA's instructions related to the level of performance of ATMs and POS machines	1	15,000		

During 2022, the Bank paid SAR 256,660.60 in penalties and fines to the following regulatory agencies:

- A total of 19 fines paid to the Saudi Payments amounting to SAR 21,660
- One General Organization for Social Insurance fine of SAR 10,000 was paid

A total of 41 fines paid to the Riyadh Municipality amounting to SAR 225,000.

CASHFLOWS

Cash and cash equivalents

SAR 4,153 million

as at December 31, 2022

(2021: SAR 8,038 million)

51% ↓

Net cashflows

	2022 SAR'000s	2021 SAR'000s
Provided from operating activities	(3,059,516)	1,434
Used in investing activities	(1,570,535)	1,168
Used in financing activities	747,529	(1,861)
Net increase (decrease) in cash and cash equivalents	(3,882,522)	(2,346)

DIVISIONAL PERFORMANCE

RETAIL BANKING GROUP

We offer a full suite of products and services to our individual customers under the Retail Banking Group umbrella. These services and products include deposits and financing. We also offer a range of card products which include credit cards, travel cards, shopping cards, household cards, student cards and debit cards to cater to all customer segments and their requirements. Customers have the choice of availing these products and services either through SAIB's branches across the Kingdom or through digital channels consisting of internet banking, mobile banking, ATMs, Interactive Teller Machines (ITMs), a call center and telesales.

The Bank also offers conventional and Shariah-compliant products and services for large corporate clients, individuals, and commercial businesses comprising small and medium size enterprises through the Bank's Head Office and a network of retail branches located throughout the Kingdom. In addition, we provide financial products and services to corporate, government, and public sector entities through our 3 Regional Offices located in Riyadh, Jeddah, and Al-Khobar.

While the strategic direction for Retail Banking is to offer Shariah-compliant products, as per the requirements of customers, the Bank does offer conventional products at a limited scale through its 3 conventional banking branches.

2022 strategic focus areas

2022 focus areas to report back on:

Our Personal Banking Group will continue enhancing the customer experience by:

- Applying a customer-centered approach to designing all our products, services, and digital banking channels.
- Monitoring the customer experience at every touchpoint to identify new opportunities for growth.

We will continue expanding our product and service ranges while cross-selling our current portfolio for greater market penetration.

During 2022, the Bank focused on bolstering all its income sources by enhancing current products and services to enable enhanced digital access for our customers. Our digital platforms continued growing our customer base. We expanded our product range by launching additional electronic savings accounts and current accounts alongside our award-winning Cashback Card. The Bank also offered:

- The new Rafah Portal that allows us to customize loans and credit card products to large corporates, in addition to other special benefits.
- A Personal Finance Management tool that converts customer behavior data into a complete, tailored array of products and services.
- Our Amer program that offers a mortgage property solution to enable customers to buy their dream homes.

2022 performance overview

Highlights

Won awards for our consumer cards:

- Best Travel Card - Saudi Arabia - 2022 - from World Business Outlook.
- Launched the first digital application process for mortgage finance in the Kingdom.
- Enhanced the personal finance digital experience for a faster application process, with new digital application processes for both our home finance and credit card products.

e-Channel penetration (%)

Channel	2022	2021	2020	2019	2018
SMS alerts	65	53.75	58.88	64.72	99.00
“Flexx Call” phone banking services	62	57.57	57.24	55.86	56.00
“Flexx Click” internet banking services	90	84.72	81.08	79.49	68.00

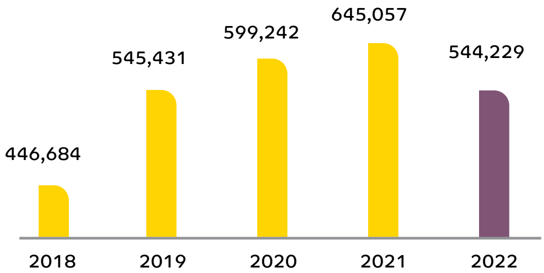
Customer base

544,229

Personal banking customers

(2021: 645,057)

Customer base growth



CORPORATE BANKING GROUP (CBG)

Overview

The Corporate Banking Group (CBG) serves the financial needs of a range of business establishments from MSMEs to large corporate entities. This Group operates from 3 regional headquarters based in Riyadh, Jeddah, and Al-Khobar - along with separate business segments covering Syndications, Projects, and Structured Financing that provide tailor-made financial solutions and customized structures to an array of economic sectors.

Our offering spans both conventional and Shariah-compliant products and services. These include working capital, contract, project, real estate, and capital expenditure financing, while offering trade finance, cash management, and treasury services requirements to support businesses. The Bank continually strives to increase the range and quality of its product and service offerings to meet evolving customer needs and expectations.

The Corporate Banking Group also provides ancillary business products and solutions to its customers, constantly liaising with cross-functional Stakeholders, and continues its robust pursuit of enhancing customer journeys by achieving higher levels of digitalization.

The Group has also undertaken strategic initiatives to align its business model to support the Saudi Government's Vision 2030 goals.

Up to the end of October 2022, CBG had 52 new customers with a total Single Obligor Total (SOT) of SAR 5.8 billion. These customers include semi-government and reputable private entities. During the year, CBG gave special emphasis to securing new customers supporting transformation in the power sector and the Saudi Green Initiative (related to Solar and Water projects) in line with Vision 2030. Secondary Market Syndication deals were also secured with entities like Aramco, Saudi Electricity Co. and other PIF related entities/companies.

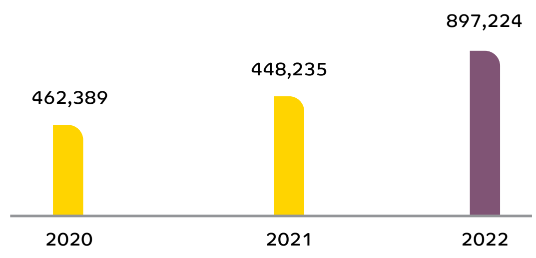
The Bank also focused on enhancing the automating customer experience by enabling customers to request products and services through our digital channels rather than submitting their requests physically through the branches. Additional highlights during the period include record growth in the Bank's asset book, expansion in project finance and syndication deals as well as maintaining market share and growth despite fierce competition in the market.

As of October 2022, the following achievements were recorded:

- Performing Loans and Advances at SAR 45.1 billion, which are 16% higher compared to the December 2021 level of SAR 38.9 billion. Also, Performing Loans and Advances are 3% above the YTD target of SAR 43.8 billion.
- Trade finance outstanding is SAR 11.7 billion, which is 6% higher compared to the December 2021 level of SAR 11 billion.
- Up to October 31, 2022, Income and Fees were recorded at SAR 1.755 billion compared to the budgeted figure of SAR 1.461 billion (i.e. 20% overachieved against the budget).
- Total Operating Income of SAR 987.1 million, which is 43% higher than last year's level of SAR 689.4 million and is 11% higher than the target of SAR 893.1million..
- Net Profit of SAR 897.2 million is 110% higher compared to last year's figure of SAR 427.9 million and 53% above the budget level of SAR 584.3 million.

Key metrics

Net income (SAR'000s)



Micro, Small, and Medium Enterprises (MSME) performance 2022

MSME summary and staffing

The Bank's employees who serve MSME clients are spread throughout the Corporate Banking Departments, with the majority working in the Business Banking Department. This department had a total of 26 employees at the end of 2022.

The Bank actively participated in MSME financing awareness campaigns in cooperation with The Small and Medium Enterprises General Authority "Monsha'at".

The following table summarizes the key financial information for the Bank's credit facilities provided to MSMEs:

	2022 SAR'000s			
	Micro	**Small**	**Medium**	**Total**
Loans to MSMEs-on Balance Sheet (B/S)	259,760	1,559,675	4,873,396	6,692,831
Loans to MSMEs-off Balance Sheet (notional amount)	133,507	281,533	932,335	1,347,375
On B/S MSMEs loans as a percentage of total on B/S loans	0.37%	2.22%	6.95%	9.54%
Off B/S MSMEs position as a percentage of total off B/S position	1.09%	2.30%	7.63%	12.02%
Number of loans (on and off B/S)	534	446	689	1,669
Number of customers for loans (with Credit Facility Limits)	14	97	204	315
Number of loans guaranteed by Kafalah program (on and off B/S)	-	40	54	94
Amount of loans guaranteed by Kafalah program (on and off B/S)	-	182,097	171,240	353,337

Looking ahead

In 2023, the Bank will prioritize the following:

- Capitalize on the momentum gained by CBG in booking new assets.
- Diversify and enhance the income stream (including ancillary business) for CBG.
- Start working on new CBG Strategy initiatives, which will be approved by the Board, as part of the new 5-year strategy.

TREASURY AND INVESTMENT GROUP

Overview

The Treasury and Investment Group (TIG) is responsible for the Bank's Asset Liability management, including interest rate, liquidity and market risks as well as liquidity funding management. It also manages foreign exchange trading, structured products, as well as managing the Bank's Investment portfolio and derivative products. The Treasury and Investment Group also manages the Bank's Financial Institution, Strategic partnerships and Public Institution relationships.

Strategic focus areas 2022

During 2022, Treasury and Investments achieved the following:

- Increased FX income and SS fees from SAR 174 million in 2021 to SAR 218 million in 2022
- In 2022 the top 20 depositor concentration was 35.98% (below budget of 45%) compared to 39.25% in 2021
- Maintained healthy liquidity ratios and above regulatory requirements as follows:

LCR	219.86%
NSFR	112.00%
SLR	30.83%
LDR	78.69%

The Group also achieved (first 9 months of 2022):

- Net adjusted income of SAR 416.3 million compared to budget of SAR 513.6 million.
- Net special commission income of SAR 246.5 million compared to budget of SAR 240.4 million.
- Exchange income of SAR 140.2 million compared to budget of SAR 135.6 million.
- Structured solution fees of SAR 15.9 million compared to budget of SAR 37.5 million.
- Capital gains of SAR 8.2 million versus budget of SAR 15.0 million.
- Income per employee of SAR 9.0 million compared to budget of SAR 9.7 million.
- Efficiency ratio of 3.73% versus the budgeted 4.24%

In addition, the Treasury and Investment Department systematically and strategically managed Repo movement activities by cooperating with the Money Market and helping it to improve LCR and LDR ratios.

The Treasury and Investment Group contributed significantly to the Bank's financial performance during 2022 as follows:

Summary (SAR '000s)

	2022	2021
Total assets	36,791,119	40,966,320
Total liabilities	54,794,735	52,899,287
Net special commission income (loss)	199,342	391,835
FTP net transfers	424,649	550,054
Net FTP contribution	623,991	941,889
Fee income (loss) from banking services, net	28,589	20,555
Other operating income (loss)	136,206	51,554
Total operating income (loss)	788,786	1,013,998
Direct operating expenses	50,657	37,574
Indirect operating expenses	332,922	278,714
Provisions for credit and other losses	(22,628)	230
Total operating expenses	360,951	316,518
Operating income (loss)	427,835	697,480
Share in earnings of associates	70,856	54,808
Income (loss) before provisions for Zakat	**498,691**	752,288
Consolidated statement of financial position assets	35,687,385	39,600,660
Commitments and contingencies	747,833	38,716
Derivatives	1,364,601	779,499
Totals	**37,799,819**	40,418,875

Liquidity

We continued managing our Basel liquidity ratios in line with market averages, thereby achieving:

219.86%
Quarterly average LCR
(2021: 243.42%)

165.88%
Spot LCR
(2021: 299.83%)

112%
NSFR
(2021: 126.08%)

We were also pleased to achieve:

78.69%
Loan-to-Deposit ratio (LTD)
(2021: 75.33%)

30.83%
Average liquidity ratio
(2021: 37.00%)

35.98%
Top 20 Depositors concentration
(Maximum limit: 45%)

Foreign exchange and structured solutions

348
Client calls concluded across all regions
(2021: 276)

255
Calls in the Central region

43
Calls in the Eastern region

50
Calls in the Western region

SAR 21 million
Hedging solution fees
(Budget: SAR 50 million)

Financial institutions

SAR 1.6 million
LC profitability

SAR 3.3 million
LG profitability

SAR 4.15 million
Discounting profitability (Market Rate Loans – Invoice Discounting)

Trade Finance activities showed significant improvement during 2022. We were successful in building alliances with various counterparts on LG issuances, LC confirmations, Discounting and Risk Participation. These initiatives enabled the Trade and Investments Department to net a total of SAR 11.4 million, which was 29% higher than targeted. This positive performance was supported by the special arrangements made with counter banks and corporate clients in discounting and risk participation. In addition, the Bank grew Trade assets from SAR 444 million at the end of 2021 to SAR 1.1 billion by year-end 2022, achieving more than 147% growth. Finally, the FI team finalized new lower rates with multiple brokers and signed various international commodity agreements for retail clients within a fixed pricing model that ensured lower costs and high service quality.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INSTITUTIONAL CAPITAL

The Saudi Investment Bank's institutional capital is made up of the intangible, non-financial assets that create value and underpin the Bank's performance. These assets include the Bank's legacy and corporate culture, its brand and values, and the vast expertise, experience, knowledge, and systems and processes it has amassed over 4 decades.

2022 highlights	2022 challenges	2023 focus areas
• Virtual desktop infrastructure (VDI) implementation • Being the first bank in the Kingdom to adopt the CISCO SD-WAN • Winning several awards from the World Economic Magazine, International Finance Magazine, International Business Magazine and Al Faisal University	• Limitations on cloud expansion • Cybersecurity	• Enhance IT digital delivery capabilities by introducing new IT digital factory. • Enhance AI and data analytics capabilities • Open banking and API management

OUR REGULATORY STAKEHOLDERS AT A GLANCE

Our strong governance processes and relationships with regulatory Stakeholders provide the framework for our success.

With ethical conduct being a cornerstone of The Saudi Investment Bank's corporate policy, the Bank maintains the highest level of compliance with the laws, regulations, and guidelines of its regulators.

The Bank works closely with government and legislative bodies, including:

- Saudi Central Bank (SAMA)
- National Cybersecurity Authority (NCA)
- Ministry of Housing
- Ministry of Health
- The Capital Markets Authority of Saudi Arabia (CMA)

Their needs and expectations

Government and regulatory bodies expect:

- Compliance with all legal and regulatory requirements
- Sufficient capital adequacy and liquidity
- Anti-Money Laundering (AML) procedures and Know Your Customer (KYC) programs
- Combatting Terrorist Financing policies
- Risk and cybercrime management

Related material risks:

- Economic slowdown and instability
- Compliance with growing governance and accountability requirements
- COVID-19 precautions
- Human and labor rights

Related material opportunities:

- Vision 2030 drive to support SMEs
- Vision 2030 focus on diversification, with an expected increase in non-oil revenue
- Higher spending power in local population
- Adherence to Islamic banking principles
- Equal opportunity and anti-discrimination
- Increasing demand for green banking and green lending

How we respond

Fulfilling government expectations through:

- Complying with the requirements of SAMA as its primary regulator:
  - Capital adequacy
  - AML procedures
  - KYC programs
  - Combating Terrorist Financing policies
- Complying with e-Invoicing requirements as effected on December 4, 2021

We engage through:

- Regular, timely, and accurate reporting
- Attending meetings
- Arranging on-site visits
- Letters and emails
- Enhancing our integration capabilities to allow smooth synthesis with all e-government services

In 2022, The Saudi Investment Bank revised its policies and procedures in line with the updated SAMA and CMA requirements. No significant tax issues became apparent in 2022, with Zakat assessments completed up to 2019. The 2020 Zakat assessments as well as 2018 to 2020 VAT assessments are in progress.

ZAKAT SETTLEMENT

In December 2018, the Bank agreed with the GAZT on a SAR 775.5 million settlement of Zakat assessments for the years 2006 to 2017. The discounted Zakat liability of SAR 711.8 million was fully provided for through a charge to the consolidated statement of income, with the corresponding liability included in other liabilities as of December 31, 2018. The Bank has paid SAR 155 million, SAR 124 million and SAR 124 million on January 1, 2019, December 1, 2019 and December 1, 2020 respectively, as per the settlement agreement.

The undiscounted Zakat settlement liability remaining to be paid and the net discounted Zakat liability is as follows:

	SAR'000s
December 1, 2022	124,072
December 1, 2023	124,072
Undiscounted Zakat settlement liability	248,144
Less: Discount	(12,882)
Net discounted Zakat liability	235,262

The Zakat settlement also included provisions for the Bank to calculate the Zakat liability for the year ended December 31, 2018, using the same methodology as was agreed in the settlement for the prior years. The 2018 Zakat was calculated based on this method and was also charged to the consolidated statement of income in 2018. It was settled by April 30, 2019.

Although the Zakat settlement did not include the year 2005, the Bank provided for an additional Zakat liability for 2005 amounting to SAR 38.6 million, which was charged to the consolidated statement of income in 2018 and settled in 2019.

In 2019, the Zakat, Tax, and Customs Authority (ZATCA) published rules for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Bank paid the following tax to ZATCA for the year ended December 31, 2022:

SAR 19.4 million
Withholding tax

SAR 109.3 million
Value Added Tax (VAT)

SAR 11.5 million
Real Estate Transactions Tax (RETT)

e-Invoicing was introduced by Zakat effective December 4, 2021 and the Bank is compliant with its requirements.

SYSTEMS AND PROCESSES

The Saudi Investment Bank's strategy drives the development of its systems and processes. This strategy is founded upon the Bank's values, ethics, policies, and sustainability pillars. Our current 3-year strategy focuses on driving transformation to strengthen our foundation, unlock potential opportunities, and capitalize on strengths. Digitization plays a key role in this transformation by strengthening the Bank's IT capabilities in line with agility, innovation, and strategic partnerships. Our strategy also supports Vision 2030's financial sector development program.

The Bank's policies, systems, and procedures are subject to regular review to determine their adequacy and effectiveness within the context of the current operating environment and relevance to the Bank's business needs.

INTERNATIONAL CREDIT RATINGS

Credit ratings are an integral component for participation in the international financial markets. As the global economy becomes more integrated, credit ratings are necessary not only to ensure funding and obtain access to capital markets, but also to demonstrate a commitment to meeting a high level of internationally recognized credit and risk management standards and disclosure requirements.

During the year, the Bank continued its program of rating reviews with Standard & Poor's Ratings Services (S&P), Moody's, and Fitch Ratings. A summary of the Bank's current ratings follows:

	Long-term	Short-term	Outlook	Date of rating
Moody's	A3	P-2	Stable	November 2021
Standard and Poor's (S&P)	BBB	A-2	Stable	September 2021
Fitch	BBB+	F2	Positive	June 2022
Capital Intelligence	A-	A2	Stable	May 2022

The Bank's ratings are the result of our financial performance, asset quality and capitalization levels, supported by a stable strategy and adequate liquidity profile. Our ratings take into consideration the fact that the Bank operates in one of the strongest Banking sectors and best regulated markets in the Middle East. The ratings also reflect Saudi Arabia's sovereign credit ratings from Moody's, Fitch, and S&P in addition to the country's economic fundamentals, adherence to BIS norms, and G20 alignment.

DIGITAL TRANSFORMATION

Transformation group

The Saudi Investment Bank's Transformation Group analyses the function, structure, and operational model of the Bank's departments and aligns these with its strategy and goals. Numerous transformation projects aimed at department, process, and product enhancement were undertaken in 2022. These introduced the latest digitization and automation methods, in line with the Bank's strategy. Processes are optimized through the application of Agile and DevOps practices, linked with capacity planning to define the ideal manpower requirements.

IT Transformation Strategy

The Saudi Investment Bank's IT Department is one of the most advanced in the Kingdom. The department has a clear IT strategy that leverages the latest technologies. During 2022, the department prioritized the digitalization of all services and products, and optimization of all processes. This is in alignment with SAIB's sustainable business targets.

In addition to automating business processes, the department worked on multiple initiatives aimed at improving IT services and ensuring compliance with regulatory guidelines. This included implementing a new ITSM system to automate all workflows related to incidents, service requests, problem management, and access management. In addition, the department reviewed and optimized all IT policies, procedures, and processes and re-aligned them with the new SAMA IT governance framework. Further, the department worked on multiple initiatives for data governance and data management, including the implementation of ChatBot for customer service across all social media platforms.

The IT Department also implemented a full open banking platform based on the latest technology. This has enhanced the Bank's competitive advantages and created opportunities for strategic partnerships with fintechs, in compliance with SAMA requirements. The Bank also launched FriendyPay, in partnership with Virgin Telecom. The platform is the first agent banking application in Saudi Arabia approved by SAMA. Further, the Bank added a new Personal Finance Manager tool to its internet/mobile banking application to help customers plan their finances. This is in line with SAIB's strategy to support Vision 2030.

In addition to implementing new business solutions across the Bank, the IT Department achieved the following during 2022:

- Introduced new products and services for different business units such as personal banking, cash management, trade finance, and corporate banking
- Launched a new infinite credit card and a new travel pro card
- Enhanced customer journeys on mobile and internet platforms
- Improved business continuity capabilities
- Automated major banking operations for time consuming processes such as SAMA deductions and SARIE daily clearing
- Implemented a new correspondence management system
- Improved testing capabilities and the Bank's capacity to support faster delivery of products and services
- Enhanced the Bank's integration capabilities with e-government services and other third-party service providers
- Completed critical SAMA mandate projects
- Implemented multiple business campaigns for personal finance and credit cards

Cybersecurity
To safeguard our customers' data, we ensure that we comply with all standard customer privacy and data protection protocols, as well as SAMA regulations and internationally accepted best practices. We follow the leading security practices during product development lifecycles, which includes a full security assessment along with penetration testing.

Future IT initiatives
The IT Group's focus in 2023 will be:

- Building a new IT strategy to be aligned with the new SAIB business strategy
- Open banking technology and fintech integration
- Introducing new innovative solutions
- Strengthening our data analytics and AI capabilities for data-driven banking
- Continued automation and efficiency enhancement of all business and IT processes

Sustainability management dashboard system
Our innovative Sustainability Management Dashboard System (SMDS) collects, stores, analyses, and delivers sustainability information monthly and quarterly to supplement our decision-making processes. The information aligns to environmental, social and governance (ESG) disclosures recommended by the Global Reporting Initiative (GRI).

AWARDS AND RECOGNITION
During 2022, the Bank received numerous awards, including:

- King Abdulaziz Quality Award 2022 (Silver Category)
- KSA's Most Innovative Bank for Trade Finance 2022 during the 10th Annual Trade Finance Summit
- Best Cyber Security Bank - KSA 2022 - from International Finance Magazine
- Best Travel Card - Saudi Arabia - 2022 - from World Business Outlook
- Best Secure Bank – Saudi Arabia - 2022 - from Global Business Outlook

INVESTOR
CAPITAL

Investors are Stakeholders who provide the Bank with the capital it requires to operate - they are critical to its value creation process. In return, the Bank seeks to maximize investor wealth by acting in a way that allows for sustainable, long-term returns. Additionally, there are secondary groups associated with investors such as analysts and fund managers.

2022 highlights

Dividends per share to be distributed:	Total dividends to be distributed:
SAR 0.70	**SAR 525 million**

OUR INVESTORS AT A GLANCE

Our investors own Shareholder stakes in the Bank.

Their needs and expectations

Investors expect:
- Sustainable financial returns
- An attractive and sustainable growth strategy
- Strong balance sheet and profitability
- Strong risk management
- Transparent reporting and disclosure
- Sound governance
- Long-term stability

Related material risks:
- Economic slowdown and instability
- Compliance with growing governance and accountability requirements
- Human and labor rights

Related material opportunities:
- Vision 2030 focus on diversification, with an expected increase in non-oil revenue
- Maintaining customer satisfaction

How we respond

Fulfilling investor expectations with:
- Sound business strategies aimed at delivering growth and value
- Pleasing financial performance
- Transparent communication of opportunities, risks, and performance
- Strong corporate governance structures

We engage through:
- Annual General Assemblies
- Board of Director meetings
- Annual, semi-annual, and quarterly reports

The Bank must be transparent with its investors about all aspects of its performance, policies, forecasts for future performance, plans, strategies, and risks. The Saudi Investment Bank complies with all regulatory requirements, as well as its own policies, by regularly engaging with investors and disclosing information to the general public through the media, its website, and on the Tadawul.

The rights of investors, voting rights, rights to dividends, and rights to information are defined in the Companies Act. The Bank's Articles of Association and Corporate Governance Manual outline the rights of Shareholders, the guidelines for relationships with them, and the mechanisms for exercising their rights. Shareholders are allowed to make complaints and the Bank is responsible for ensuring that complaints are attended to, with replies detailing actions to be taken.

SHARE INFORMATION/MOVEMENT

Ordinary share price as at December 29, 2022	Highest share price recorded in 2022:	Lowest share price recorded in 2022:
SAR 17.34	**SAR 23.52**	**SAR 14.68**
	April 26, 2022	January 2, 2022

The Bank's shareholding as at December 31, 2022

	2022		2021	
	Amount	**%**	**Amount**	**%**
Saudi Shareholders	10,000	100	7,500	100
Treasury shares	-	-	-	-
Total	10,000	100	7,500	100

Market capitalization (SAR billions)

	2022	2021	2020	2019
Amount	17.34	14.67	12.00	13.53
% to Industry Group	1.83%	1.47%	1.89%	1.96%

Shareholders' equity

Key performance indicator	2022	2021	2020	2019	2018 (restated)
Share capital (SAR million)	10,000	7,500	7,500	7,500	7,500
Total Shareholders' equity (SAR million)	13,575	14,801	13,331	12,007	11,621
Basic and diluted earnings/share (SAR)	1.37	1.34	1.25	0.17	0.65

The Bank's major Shareholder is the General Organization for Social Insurance (GOSI) with a holding percentage of 25.61%

Changes in the Bank's ownership (Board of Directors and Senior Executives)
The Board of Directors is composed of natural persons represented on the Board in their personal capacities. Below is the list of the overall ownership of Bank's shares by the Board of Directors and Senior Executives and their immediate relatives with interests in such ownership.

Directors

No	Name	Shares at the beginning of the year	Shares at the end of the year	Net change	Percentage of change
1	Mr. Abdallah Saleh Jum'ah	283,220	376,193	92,973	32.83%
2	Mr. Abdulaziz Al-Khamis	131,851	175,801	43,950	33.33%
3	Mr. Abdul Rahman Al-Rawaf	1,851	2,468	617	33.33%
4	Mr. Mohammed Algrenees	100	133	33	33.00%
5	Mr. Mohammed Bamaga	1,017	1,356	339	33.33%
6	Mr. Yasser Aljarallah	112,110,352	145,356,666	33,246,314	29.65%
7	Mohammed AlKhalil	100	133	33	33.00%

Senior Executives

No	Name	Shares at the beginning of the year	Shares at the end of the year	Net change	Percentage of change
1	Mr. Faisal Al-Omran	18,209	24,278	6,069	33.33%
2	Mr. Salman Al-Fughom	12,000	16,000	4,000	33.33%
3	Mr. Naif Al-Hammad	153	204	51	33.33%

Board members or Senior Executives did not hold debt instruments in the Bank during 2022.

RELATED PARTY BALANCES AND TRANSACTIONS
In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2021, SAMA issued its Key Principles of Governance in Financial Institutions operating in Saudi Arabia and during 2022, SAMA issued rules on Related Parties for Banks. These updates specify the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's related party identification and disclosure of transactions complies with the guidelines issued by SAMA, and has been approved by the Bank's Board of Directors. These guidelines include the following definitions of related parties:

- Management of the Bank, their relatives and/or their affiliated entities
- Principal Shareholders of the Bank and/or their relatives
- Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, Chief Executive Officer (CEO), General Managers (GMs), their Deputies, Chief Financial Officer (CFO), Managers of key departments, officers of Risk Management, Internal Audit, Compliance, and similar positions in the Bank, in addition to incumbents of any other positions determined by SAMA.

Principal Shareholders include those owners of record of more than 5% of the Bank's voting ownership and/or voting interest of the Bank.

Relatives include spouses, children, parents, grandparents, siblings, grandchildren, and offspring to whom a member of Management of either the Bank, principal Shareholder, or affiliate, might control or influence or by whom they might be controlled or influenced, because of the family relationship.

Related party balances

The balances as of December 31, 2022, resulting from such transactions included in the consolidated statement of financial position are as follows:

	SAR'000s
Management of the Bank, their relatives and/or their affiliated entities:	
Loans and advances	248,303
Customers' deposits	2,134,535
Tier 1 Sukuk	25,300
Commitments and contingencies	508,353
Investments	607,740
Principal Shareholders of the Bank and/or their relatives:	
Customers' deposits	3,823,077
Tier 1 Sukuk	50,000
Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives:	
Loans and advances	1,805,981
Customers' deposits	442,785
Tier 1 Sukuk	12,000
Commitments and contingencies	277,259
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:	
Customers' deposits and other liabilities	303,092

Related party transactions

Income and expense for the years ended December 31, 2022, pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	SAR'000s
Management of the Bank and/or members of their immediate family:	
Special commission income	31,582
Special commission expense	35,745
Fee income from banking services	42
Other expenses	82,567
Principal Shareholders of the Bank and/or members of their immediate family:	
Special commission expense	90,099
Rent and premises-related expenses (Building rental)	7,758
Affiliates of the Bank and entities for which the investment is accounted for by the equity method of accounting:	
Special commission income	142,749
Special commission expense	2,692
Fee income from Banking services	1,019
Other income	7,999
Other expenses	16,215
Board of Directors and other Board Committee member remuneration	9,183

CUSTOMER CAPITAL

Customers are a most important Bank asset. Building strong relationships with them ensures the long-term growth and sustainability of the business. We develop products and services in response to customer needs, within the context of the operating environment.

2022 highlights

- First digital application experience for mortgage finance in the Kingdom
- Online application process for credit cards and home finance
- Superior cashback credit card

2022 challenges

- Aggressive market competition across all segments and products
- Raising customer awareness of financial products and their benefits
- Maintaining deposits and customer relationships through historically low SAIBOR and LIBOR rates
- Anticipating and efficiently managing the pandemic's impact on our customers

2023 focus areas

- Continue building on the efficiency of our services through digitalization and automation
- Expand our range of products and services
- Expand our customer base with credible and strong customers in line with our risk appetite
- Cross-sell our products range to improve the overall yield from existing customer and partner relationships

OUR CUSTOMERS AT A GLANCE

The Saudi Investment Bank serves over

553,688

customers across our various product offerings

544,229
Personal Banking customers
(2021: 645,057)

9,459
Corporate Banking and MSME customers
(2021: 12,620)

Their needs and expectations

Customers expect:

- Convenient, useful and accessible products and services that offer competitive financial returns
- Friendly and efficient service
- Data security
- Ethical and fair treatment
- Compliance with Islamic/Shariah principles

Related material risks:

- Economic slowdown and instability
- Increasing customer expectations
- Cybersecurity threats

Related material opportunities:

- Higher spending power in local population
- Maintaining customer satisfaction
- Adherence to Islamic banking principles
- Digital banking services

- Innovation and product development
- Blockchain
- Increasing demand for green banking and green lending

How we respond

Fulfilling customer expectations through:
- Personal banking services
- Corporate banking services
- Treasury and investment services
- Excellent customer service
- Convenient access to banking through digital channels
- Stable and secure IT systems

We engage by:
- Attractive and effective marketing
- Surveys, including "Voice of the Customer", to understand their perceptions and preference, and gauge satisfaction
- Call center

PRODUCT PORTFOLIO

The Saudi Investment Bank offers comprehensive and innovative product and service offerings for individuals, businesses both small and large, and government entities. For the full range of products, visit https://www.saib.com.sa/en.

PERSONAL BANKING

Accounts

We offer both Shariah-compliant and conventional banking products.

- Alasalah Current Account
- Salary Account
- Murabaha Deposit
- Time Deposits

Customer programs

We offer customers a high-class banking relationship and exclusive services tailored to their needs.

- Private Banking
- Platinum Program
- Gold Program
- Silver Program

Finance

Our goods, shares, vehicle and home finance products help customers, including retirees and expatriates, to achieve their goals.

Alasalah Personal Finance

- Arzaq Murabaha Finance
- Shares Murabaha Finance
- Car Murabaha Finance
- Retirees Personal Finance
- Expatriates Personal Finance
- Refinance
- Loan Buy-out (Balance Transfer)

Alasalah Home Finance

- Home Finance programs in cooperation with the Real Estate Development Fund (REDF):
- Madoom and Moyassar home finance
- Self-construction finance
- Unit under construction (off plan)
- MOH ready house
- Alasalah Murabaha Home Finance

The Saudi Investment Bank cards

• Low Limit Cards • Travel Card • “EasyShopping” Card	• mada Debit Cards • mada-enabled debit cards	• Pre-paid Cards • “EasyPay” Payroll Card • “EasyPay” Household Card	• Credit Cards • Shariah-compliant credit cards

E-Banking

Channels: • Flexx Click Internet Banking • Flexx Call Phone Banking • Flexx Transfer	**Mobile apps:** • Flexx Touch Mobile App • Flexx Safe • Al-Huda App • EasyPay	**Payments and Transfers:** • SADAD Service • SARIE Service • SWIFT Service • Point of Sales (PoS) • Payments Gateway • Flex Transfer

CUSTOMER PROGRAMS

The Bank offers 3 key customer segment programs, based on a variety of factors including salary, average balance or instant deposit of customers. Each offering is unique and provides a host of benefits for customers. In addition, the Bank offers an exclusive program for its high net-worth customers under the Private Banking program.

Silver, Gold and Platinum Customer Programs

Depending on the lifestyle needs of customers, the Bank offers 3 key segments for its Personal Banking clients which include Silver, Gold and Platinum segment programs. While Silver is for entry level customers, Gold and Platinum are specifically for a higher class of customer segments, offering exclusive services tailored to their financial requirements.

Private Banking

The Private Banking program offered by the Bank is the most exclusive program, offered to the high net worth segment of customers. Services are offered through a highly skilled team of dedicated Relationship Managers who are there to assist our clients in all their financial requirements.

Digital Services

SAIB has been at the forefront of introducing various innovative services and products to its customers in order to provide a friendly digital banking experience. The Bank has introduced new technologies, channels, and services to meet the increasing business demands. These have positively impacted on overall customer experience.

In addition, several services and enhancements were introduced to customers during 2022 including:

- The first Bank to launch the face recognition integration for online account opening with MyID app (Nafath)
- Travel Card Pro product that allows the customer to load the currency wallet with a credit limit amount granted by the Bank
- Launched the chatbot solution across all channels including web, retail internet banking, messenger and Twitter
- Upgraded the corporate multi-currency card product to enable SADAD and MOI payments, spending control enhancement

- Launched new credit card online services (Pay SADAD bills from credit cards and transfer from credit card to current account)
- Revamped the card processing and customer journey on the internet banking channel to facilitate card sales without the need to visit a branch
- Enhanced the mortgage portal to allow non-SAIB customers requesting mortgage loans to proceed with account opening directly from the same portal
- Introduced new card activation services for prepaid customers
- Enhanced the Bank's loyalty offering by integration with the Saudia Airlines loyalty program
- Extended the robotics usage across multiple processes in the Bank
- Enhanced the customer experience of the online account opening process to minimize the number of fields and number of clicks and shorten the time of the overall process
- Launched the new company admin portal that allows the corporate customer to manage the corporate users access without the need to send physical forms
- Enhanced the mortgage portal to enable the digital signature for mortgage loans by the integration with e-signature provider
- Enhanced the Tharwa portal by adding new features and enhanced the user experience as well as the corresponding admin portal
- Launched the new Travel and Shopping card additional card administration services
- Launched digital and marketing campaigns for different products and services
- Added the instant payment services through the corporate internet banking channel (CIB).

As digital business development grows in Saudi Arabia, the Bank continues to work on innovative technology to enable digital payment services.

Branch network and related services

As of December 31, 2022, the Bank has 51 branches and manages a network of 376 ATMs and Interactive Teller Machines throughout Saudi Arabia. The Bank also operates more than 9,000 Point of Sale (POS) terminals.

Personal Banking assets and liabilities – Islamic and conventional

While the strategic direction for Personal Banking is to offer Shariah-compliant products, as per the requirements of customers, the Bank does offer conventional products at a limited scale as well through its 3 conventional Banking branches. The volume of financing compliant with Shariah controls amounted to SAR 52.2 billion, and the volume of deposits compliant with Shariah controls amounted to SAR 47.6 billion as of December 31, 2022.

CORPORATE BANKING AND SME

SME

Business Finance

The Saudi Investment Bank offers comprehensive financing solutions for SMEs, including:

- Working capital (short-term)
- Financing projects and contracts (medium to long-term)
- Financing activity expansion (long-term)

Secured Financing Program with Agricultural Development Fund (ADF)

In cooperation with the ADF, the program provides various financing products and credit services to achieve food security and sustainability of natural resources

Kafalah Program

Launched by The Saudi Industrial Development Fund (SIDF) and Saudi Arabian banks, the Kafalah Program promotes SME financing in the Kingdom.

Bawabat Altamweel Funding Portal

As part of our agreement with Monshaat, this online portal allows entrepreneurs and MSMEs to submit their financing requests to selected financing providers, including The Saudi Investment Bank.

CORPORATE

- Working Capital Financing
- Contract Financing
- Real Estate Development Financing
- Employee Loans and Accounts
- Syndicated Loans
- Investment Services
- Shariah-Compliant Financing Products
- Project Financing
- American Express Corporate Card

CASH MANAGEMENT

- Flexx Business Corporate Banking
- Business to Business (B2B) Solution
- Flexx Cash in Cash Deposit Card
- Corporate Multi-Currency Card
- Payroll
- Escrow Accounts
- Flexx Pay
- Payroll Prepaid Card – EasyPay
- Cash Pick Up
- Point of Sales
- SAIB Business

TRADE FINANCE SOLUTIONS

- Trade Finance Services
- International Trade Solutions
- Marine Cargo Insurance

TREASURY AND INVESTMENT GROUP

Liquidity Management

Solutions for customers to optimize their liquidity based on their internal structures and business volumes.

Foreign Exchange

Tailor-made solutions to help clients manage their foreign exchange exposure.

Structured Products

Tailor-made hedging solutions that fit the client's needs.

BRANCH NETWORK AND ACCESS POINTS

The Saudi Investment Bank operates 51 branches across the Kingdom. As part of the Bank's digital banking strategy, the Bank is expanding access to its products and services through digital channels such as internet and mobile banking, as well as self-service kiosks, ATMs, cash deposit machines (CDMs), and interactive teller machines (ITMs). We have prioritized the need to minimize manual transactions and branch visits.

Access points	2022	2021	2020	2019
Branches	51	51	52	52
ATMs (dispense and cash deposit functionality)	376	379	312	341
Interactive teller machines	9	4	4	4
Cash deposit machines	12	12	12	12
POS terminals	↑9,000	6,662	9,895	9,375

SERVING SPECIAL NEEDS CUSTOMERS

The Bank is committed to supporting special needs customers. Three of our branches in Riyadh, Dammam and Jeddah cater specifically for special needs clients through:

- Dedicated parking bays close to the entrance
- Branch maps, print forms, and contracts available in Braille
- Employees skilled in sign language

Furthermore, our website accommodates the visually impaired, with screen reader technology, color contrast options and built-in font magnification.

TRANSACTIONS

Channel	2022	2021	2020	2019
ATM transactions	11,933,203	16,414,738	24,553,171	39,701,368
Online transactions	23,140,108	22,231,524	25,840,157	26,178,906
Branch transactions	2,222,674	4,369,600	7,541,942	9,221,275
Point of Sale transactions	157,708,985	150,138,910	113,483,943	75,095,420
IVR transactions	148,421	184,400	260,559	316,956

CUSTOMER SERVICE

The Saudi Investment Bank strives to deliver an outstanding customer experience (CX), supported by data-driven insights. Our specialized in-house quality assurance and analytics team remain in touch with market trends through customer surveys and data analysis, ensuring that we provide customers with what they need and want from their bank.

Customer experience

For our Bank to continue thriving, every touchpoint with the customer should be a positive experience for them. As the market evolves, with the number of younger - and more technologically adept - customers on the rise, The Saudi Investment Bank needs to provide more efficient, reliable and convenient services. The customer must be able to bank anytime, anywhere, and on any device. A consistently positive customer experience will boost customer loyalty and word-of-mouth recommendations. During 2022, we celebrated Global CX Day with our “Customer-Centric” campaign. The campaign served to strengthen our customer-centric culture among employees, while showcasing the actions we are taking to deliver best-in-class experiences to our customers.

Customer satisfaction

The Saudi Investment Bank implements the Net Promoter Score (NPS) measure of customer and employee satisfaction. This process is completely digital, triggered by touchpoints and interactions within the customer experience journey across all channels. The results are integrated into automated dashboards, reports and KPIs throughout the organization, enabling The Saudi Investment Bank to continuously improve its performance.

Complaints

The Saudi Investment Bank’s Customer Care Department addresses all complaints and customer concerns in line with regulatory requirements. We achieved a 99% service level adherence (SLA) for complaints received via SAMACares.

LOYALTY PROGRAMS

Our loyalty programs continued to grow in 2022.

Aseel

The Saudi Investment Bank's Aseel program provides customers with special rates and discounts when using their debit or credit cards to transact with our partners in dining, travel, shopping, and lifestyle.

380
Aseel partners
(2021: 302)

Woow

We reward loyalty members with points for their transactions, which can be redeemed for gifts from the WooW e-catalogue. In 2022, the redemption process was further enhanced, which improved the customer experience journey.

Our achievements during 2022 include:

- Increasing the unique customers redemption rate by 15.91% through a campaign on Retail Internet Banking (RIB) - our online banking platform - that targeted customers who hadn't redeemed their points yet.
- Increasing the e-voucher redemption rate to 64% (2020: 42.5%).
- Increasing the overall redemption rate by 21.55%.
- Automating and speeding up the WooW special request feature for affluent customers.

Enrollment data	2021	YTD 2022	% Growth
Total enrolled members to date	485,350	528,330	8.86%
Redemptions by unique customers	170,996	184,284	7.77%
Enrolled vs total customers	97.86%	98.97%	1.14%

Points details	2021	YTD 2022	% Growth
Total points awarded to date	72,922,249,162	76,103,482,296	4.36%
Total points redeemed to date	48,458,589,896	53,681,322,194	10.78%
% Awarded vs redeemed to date	66.45%	70.54%	4.87%

Ehsan

De-activating all non-government charity platforms to focus more on the official government online platforms such as Ehsan.

MARKETING OUR BRAND

Channels

The Saudi Investment Bank is an agile and innovative brand, with a diverse portfolio of products and services that caters for a large variety of customers. Targeted marketing campaigns ensure that we reach the right audience with the right products. The Bank reaches out to customers through various channels, with an increasing emphasis on digital communication.

Targeted marketing campaigns

51
Events
(2021: 20)

6
Press releases
(2021: 2)

2,246,776
Unique website visitors per month
(2021: 1,186,127)

560,290
Website page views per month
(2021: 336,435)

64,858
Instagram followers
(2021: 58,200)

1,065,296
Twitter followers
(2021: 1,036,616)

1,226,620
Facebook followers
(2021: 1,247,175)

Marketing campaign highlights

Personal Finance Mega Offer (ATL Campaign)
SAIB launched the Personal Finance Mega Offer through an ATL (Above the Line) campaign, aiming to attract customers with its appealing features. The offer included paying only half of the profit margin for the finance, zero administration fees, and a complimentary credit card with a zero profit margin for the first year. The campaign spanned 3 months and utilized various digital channels such as social media, electronic direct mail marketing (EDM), digital screens, SMS, and ATMs. Additionally, paid social media channels were utilized to maximize reach. To further enhance visibility, the campaign was displayed on outdoor platforms, specifically on Riyadh's main bridges, for a period of 2 weeks. The target audience encompassed both existing and potential customers.

Personal and Home Finance Offer
SAIB launched an enticing personal finance offer at a highly competitive rate, catering to both existing and potential customers. The campaign aimed to provide customers with a competitive interest rate of 0.29% while offering additional benefits such as 50,000 WooW points and a seamless digital experience. The success of the initial campaign led to its expansion, now including a home finance offer. The home loan rates began at 1.55% and offered customers an opportunity to earn 100,000 WooW points. The entire campaign spanned a duration of 2 months. To maximize its reach, the campaign was promoted across all social media platforms, with specific focus on paid digital channels.

Travel Card Mega Campaign (ATL Campaign)
SAIB launched its largest travel card campaign in 2022, offering customers 3 attractive benefits simultaneously. The

campaign featured the following advantages: free card issuance, complimentary currency additions for 100 different currencies, and a 0% exchange rate on Euros, Emirati Dirhams, and Pounds. To promote the campaign effectively, SAIB utilized out-of-home (OOH) channels in major Saudi cities like Riyadh, Khobar, and Jeddah for a month. Additionally, an extensive digital promotion was carried out across various online platforms from the start of the campaign until October 31, 2022.

To further enhance the campaign's impact, SAIB's marketing team conducted research on preferred travel destinations among SAIB customers. Using this information, they created visually appealing content featuring landmarks and currencies from these countries. This series, named "Travel Card Destination," incorporated each offer's details and was shared across social media channels throughout the campaign. The creative visuals were also utilized in targeted email and SMS communications to directly engage customers. Messages were customized based on whether customers already had the currency of the week's destination in their travel card wallet, ensuring relevant offer details were provided in each communication.

Travel Card Credit Limit

In order to maintain its leadership position in the market, SAIB made the strategic decision to upgrade its current Travel Card offering. The new Travel Card will now be funded from a virtual credit limit or credit line, while still retaining the option to fund it from the current account. This upgrade transforms the Travel Card into a more flexible and versatile solution, combining the features of a prepaid card and a limit-based card. Customers will have the freedom to choose their preferred funding source based on their individual preferences and needs.

To effectively promote this exciting new feature, SAIB implemented a series of promotional phases. In Phase 1, the announcement was made through a video shared on social media platforms. Additionally, current eligible customers were specifically targeted through email marketing campaigns (EDMs), SMS messages, and pop-up notifications on the Bank's online banking platform.

In Phase 2, SAIB conducted a video shoot that focused on different travel scenarios based on insights gathered about SAIB customers' travel habits. The video clips showcased the various benefits of the Travel Card during customers' travel experiences, highlighting wellness, unique experiences, and local tourism.

These promotional efforts aimed to raise awareness and generate interest among SAIB customers about the enhanced features and benefits of the upgraded Travel Card, further solidifying SAIB's position as a leader in the travel card market.

Travel Card Season Campaign

SAIB's pioneering product, the Travel Card, took the spotlight in a comprehensive promotional campaign. A compelling video was crafted to highlight the unique advantages of the travel card compared to traditional credit cards offered by other banks. The video emphasized that by choosing SAIB's travel card, customers would enjoy significant benefits such as competitive exchange rates and no conversion fees, ultimately enhancing their travel experience. The engaging video was widely shared across all SAIB communication channels, including paid digital channels, to maximize its reach and impact.

Personal Financial Manager

SAIB launched a campaign to promote its new service, the "Financial Planner," designed to provide customers with a convenient way to manage their finances. The campaign highlighted key features of the service, including setting monthly budgets, accessing spending analysis, managing transaction categories, and receiving personalized insights and recommendations. The announcement was made through SAIB's social media channels, as well as other owned channels like SMS, EDM, and the website. The campaign specifically targeted eligible segments to ensure they were aware of and could utilize this beneficial feature. To further assist customers in understanding and utilizing the service, a step-by-step tutorial was created to guide them through the process of viewing and managing their budgets.

Founding Day

To commemorate the First Saudi Founding Day, SAIB organized various activities and initiatives. On social media, a video was created to highlight the sense of pride and unity that has been present in Saudi Arabia for centuries, from the first attempts to unify the country to the establishment of the Kingdom 93 years ago. The video showcased the enduring traditions and values cherished by Saudis. Additionally, a special offer was introduced by the cards team, doubling WooW points on all cards, including debit cards. The campaign materials were effectively developed and shared across paid and owned social media channels.

Internally, an event was organized to celebrate the occasion with employees. A celebratory video capturing the essence of the Founding Day was published on SAIB's social media platforms. Collaborating with the events team, mockups and printed materials such as employee gift boxes, banners, and branding for the event area were created to enhance the celebratory atmosphere. These initiatives aimed to commemorate the First Saudi Founding Day and foster a sense of unity and pride among SAIB employees and the wider community.

IPO

SAIB's Marketing Department oversaw the planning and implementation of the communication strategy for the retail subscription launch of Scientific & Medical Equipment House Company's IPO. This involved utilizing the Bank's website and social media channels to effectively reach our target audience. Creative materials were carefully designed and developed to announce the commencement of the IPO and guide potential investors to the designated channels for subscription. Our main objective was to achieve the desired number of successful subscriptions and oversubscriptions, and our communication efforts were focused on driving this outcome.

Points to Cash

SAIB is excited to introduce a new service that allows our valued customers to convert their WooW points into cash directly in their accounts. To announce this service, we created a captivating motion video that showcases the creative process of transforming points into cash. Additionally, we developed RIB popups and emails to further promote this offering to ensure that our customers are aware of this convenient and rewarding feature. We believe that this new service will enhance the flexibility and value of our loyalty program, providing our customers with even more benefits and options to make the most of their points.

Travel Card Free Issuance

SAIB delighted customers during the months of February and March by offering free issuance of its travel card. This limited-time campaign allowed both primary and secondary cards to be issued without any charges. To capture the attention of potential customers, our marketing team created captivating visuals, including a compelling video showcasing the travel card as the ultimate travel companion, a carousel highlighting the offer's benefits, and eye-catching static images. To further incentivize customers, we introduced a sub-offer exclusively for those who viewed the RIB popups. By applying for the travel card during the free issuance period, they were rewarded with an additional 2,000 WooW points. A creative design was shared with this targeted audience, informing them about this extra bonus incentive, thereby encouraging them to take advantage of the ongoing free issuance offer. We believe that this campaign successfully attracted customers and highlighted the value and advantages of SAIB's travel card.

Ehsan
SAIB takes pride in its Corporate Social Responsibility (CSR) efforts, and one of our key initiatives is supporting Ehsan's campaigns. To effectively showcase the impact of these campaigns and encourage community participation, we created a series of emotionally captivating videos. Each video highlights the significance of the donations made and the positive impact they have on various aspects such as social welfare, education, healthcare, relief efforts, and economic development. To ensure continuous engagement and encourage active participation, these motion videos are released every other Friday throughout the year. By sharing these heartfelt stories, we aim to inspire our customers to contribute and make a difference. Additionally, we promote the redemption of WooW Alkhair points, allowing customers to support Ehsan's noble causes through their accumulated points. Through this ongoing initiative, SAIB remains committed to making a positive and meaningful impact in our community.

Credit Cards Activate, Spend and Win
SAIB's "Credit Cards Activate, Spend and Win" campaign is a quarterly initiative designed to reward our valued customers. By activating their credit cards and meeting a specified spending threshold, customers become eligible to receive a complimentary voucher from yougotagift. Throughout the campaign, SAIB's marketing team takes charge of developing engaging creatives and crafting compelling webpage content. These materials are then shared with the targeted customers through various channels, including promotional SMS messages that contain unique voucher codes. The campaign aims to incentivize card activation and encourage customers to make use of their SAIB credit cards for their daily transactions. By providing a rewarding experience and the opportunity to receive a free voucher, SAIB strives to enhance customer satisfaction and engagement.

Supplementary Credit Card Offer
In collaboration with the card's team, SAIB's Marketing Department has developed a promotional campaign aimed at increasing the adoption of supplementary credit cards. The campaign highlights the enticing offer of receiving a gift voucher worth SAR 200 when applying for 2 or more supplementary cards. To effectively convey the offer details, marketing has created visually appealing campaign materials that creatively showcase the benefits of obtaining supplementary cards. These materials have been shared across SAIB's social media channels, enabling a broader reach to target audiences. Additionally, the campaign has been specifically targeted at current SAIB credit cardholders through personalized marketing efforts. By promoting the supplementary credit card offer and providing customers with an incentive in the form of a gift voucher, SAIB aims to encourage cardholders to take advantage of this opportunity and enhance their banking experience.

KFUMP Food Security and Environmental Sustainability Conference
During 2022, SAIB was a Platinum sponsor of the King Faisal University's Food Security and Environmental Sustainability Conference. The Marketing Department played a crucial role in supporting this initiative by assisting the events team in finalizing the booth design and providing the necessary materials. Additionally, they created a compelling social media announcement post to highlight SAIB's partnership with the conference. To further showcase SAIB's commitment, footage of the Deputy Chief Executive Officer (DCEO) participating in the honorary ceremony for

conference partners was shared, emphasizing the institution's active involvement in the event.

Ramadan
In preparation for the Holy month of Ramadan in 2022, SAIB's marketing team took the lead in developing a theme that would resonate with the spirit and significance of this month. This theme served as the foundation for all subsequent communication and marketing efforts during Ramadan.

One of the initial steps was to gather and finalize the information regarding employee and branch working hours throughout Ramadan. This ensured that SAIB's services and support aligned with the needs and expectations of customers during this special time. Externally, the marketing team began by extending warm wishes and blessings to customers, acknowledging the importance of Ramadan in their lives. These messages were shared across various social media channels to reach a wider audience. To provide clarity and convenience for customers, SAIB's working hours during Ramadan were prominently communicated through social media channels, including the necessary updates to relevant webpages and screens. This ensured that customers were well-informed and could plan their interactions and visits to SAIB accordingly. By proactively addressing the unique aspects of Ramadan and sharing important information, SAIB demonstrated its commitment to providing exceptional service and support to customers during this significant month.

Ramadan WooW Competition
During Ramadan, SAIB continued its tradition of engaging customers with the WooW surprise competition on Twitter. The primary objective of this competition was to drive participation on SAIB's social media channels and enhance the positive engagement with the brand. To kickstart the competition, a teaser video was shared on social media channels, generating excitement and anticipation among the audience.

For a duration of 15 days, SAIB released daily videos on Twitter, inviting participants to engage by quote retweeting, liking the original tweet, mentioning a friend they wanted to win, and using the competition hashtag #مفاجآت_واو. Random draws were conducted to select the winners, who were awarded exciting prizes including iPhones, iPads, PS5s, and more. Additionally, the winner's friend received a SAR 500 voucher. The campaign generated significant engagement throughout its duration, and the marketing team capitalized on this increased traffic by sharing product offers and services to further enhance customer satisfaction.

In another notable partnership, SAIB signed a strategic agreement with the Saudi Automobile & Motorcycle Federation (SAMF) to sponsor the 2022 Rally in Saudi Arabia. To commemorate this partnership, a signing ceremony was held at SAIB's head office, with HRHP Sultan Al Abdullah Alfaisal signing the partnership contract. The marketing team played a pivotal role in organizing the ceremony and ensuring its success. The announcement of this partnership was made through SAIB's social media channels, further strengthening the brand's association with the rally. Marketing also worked on creating branding materials and engaging social media posts that would be shared on SAIB's channels throughout the duration of the race, increasing brand visibility and engagement with motorsport enthusiasts.

Gamers8 Partnership
SAIB proudly served as the official banking partner for the prestigious Gamers8 event, the world's largest global gaming and eSports festival. The event, which took place from mid-July to September 8, provided an excellent platform for SAIB to engage with the gaming community. The marketing team played a crucial role in ensuring that SAIB maximized its benefits from this partnership.

To create a captivating presence at the event, the marketing team designed an impressive booth that showcased SAIB's brand and offerings. An activation spot was strategically set up to attract attendees and provide an interactive experience related to gaming and banking. Throughout the duration of the event, engaging social media posts were shared, inviting attendees to visit the SAIB booth, offering free tickets, and promoting SAIB's services tailored to the gaming community. SAIB's brand was prominently featured in various activities and events within the Gamers8 festival, further enhancing its visibility and association with the gaming and eSports industry.

Partnership with King Fahad University of Petroleum and Minerals (KFUPM)
In another significant partnership, SAIB served as the official partner for the King Fahad University of Petroleum and Minerals (KFUPM) Graduation Ceremony. The marketing team collaborated with KFUPM to brand the arena where the graduation ceremony took place, adding a touch of elegance and celebration to the event. A video announcement was shared on SAIB's social media channels, congratulating the graduating students and highlighting the successful completion of their educational journey. The marketing team also actively promoted the video on social media, reaching a wider audience and showcasing SAIB's support for education and academic achievements.

These partnerships with Gamers8 and KFUPM allowed SAIB to establish a strong presence in the gaming and education sectors, demonstrating the Bank's commitment to engaging with diverse communities and supporting significant events in various fields.

Other notable days and commemorations supported by SAIB's Marketing Department during 2022 include the following:

- Braille Day
- Children's Cancer Month
- World Blood Donation Day
- Alzheimer Month
- Breast Cancer Month
- World Savings Day
- Mother's Day
- Women's Day
- Happiness Day
- Cyber Awareness Day
- Celiac Disease Day

For each of the following days we shared messages on our social media channels.

Enhancing customer experience through analytics and efficiency

Social media analysis
Social media provides a wealth of data to understand our customers, market, and reputation better. In 2022, the Bank:

- Introduced a new brand monitoring capability in the form of social media sentiment analysis.
- Implemented competitor benchmarking by tracking our competition's reputation index on social media channels.
- Concluded the pilot phase of a project to benchmark our customers' experience against other banks' CX.

This information will help us to cater to our customers' needs even better.

Marketing automation
With the implementation of the SAP marketing module, customers now receive personalized emails based on their transaction behavior. We expect that this will lead to greater customer satisfaction and engagement, generating higher sales.

PROTECTING CUSTOMERS' PERSONAL INFORMATION
As a matter of principle, The Saudi Investment Bank handles personal data confidentially and secures this data in accordance with current legal requirements and international best practice. Data security will remain a priority in light of our digitalization initiatives.

The Bank did not experience any incidents of non-compliance with regulations or voluntary codes regarding marketing communications, including advertising, promotion, and sponsorship in 2022. We received no complaints regarding breaches of customer privacy and loss of customer data from outside parties or regulatory bodies during the reporting period. Similarly, The Saudi Investment Bank is not aware of any identified leaks, thefts, or losses of customer data.

EMPLOYEE
CAPITAL

Our employees are critical to our continued success. The Bank's business relies on constant innovation combined with client-centric service, and our people act as a strategic enabler to ensure we deliver market-leading products and maintain our competitive advantage. The Bank's strong, engaged culture is driven by our core values, which are reflected in every employee's behavior.

2022 highlights	2022 challenges	2023 focus areas
• Revising our incentive schemes for greater motivation • Increasing the Saudization rate from 90% to 91% • Launching 3 graduate development programs • Hiring more than 137 employees during 2022	• Adjusting to the new normal brought on by COVID-19 • Driving employee engagement and development	• Completing the design of our Employee Value Proposition, to attract top talent • Upskilling talent to build risk and digital capability

OUR EMPLOYEES AT A GLANCE

454 Retail employees (2021: 569)	**111** Corporate Banking and SME employees (2021: 112)	**44** Treasury and Investment employees (2021: 49)

Their needs and expectations

Employees expect:
- Fair remuneration, effective performance management and recognition
- Training, skills development and talent management
- Career development and advancement opportunities
- A diverse and inclusive work environment
- Clear policies and communication
- A safe and healthy work environment

Related material risks:
- Economic slowdown and instability
- Human and labor rights

Related material opportunities:
- Adherence to Islamic banking principles
- Employee satisfaction and engagement
- Employee training
- Equal opportunity and anti-discrimination
- Remote working

How we respond

Fulfilling employee expectations through:
- Learning and development opportunities
- Equipping employees with the necessary skills to stay abreast of digital changes
- Flexible working arrangements for the "new normal"
- Career path and succession programs

We engage with:
- HR policies
- The employee code of conduct
- Employee net promoter score surveys
- In-house communications
- Our appraisal system
- The HR helpdesk
- The employee suggestion program
- Our recognition and rewards program

The Saudi Investment Bank utilizes a human resource planning strategy that is aligned with its overall business strategies, while cognizant of the operating environment and supply and demand. Our ultimate goal is to be an employer of choice.

HEADCOUNT

	Gender			Region		
	Male	**Female**	**Other**	**Central**	**Western**	**Eastern**
Full-time employees	1,022	299	-	1,076	146	99
Total	1,022	299	-			

Unless otherwise indicated, all the figures below are for The Saudi Investment Bank only.

% of Saudi employees
91.6%
(2021: 91%)

Total number of permanent employees
1,321
(2021: 1,353)

% of female employees
22%
(2021: 24%)

Alistithmar Capital
Male 117
Female 42

Gender analysis
Male 78%
Female 22%

New hires
Male 137
Female 81

Turnover ratio
1.32%
(Less than 1.5%)
(2021: <1%)

Hours spent on training
31,143
(2021: 15,541)

Region	2022	2021
Central Region	1,076	1,110
Western Region	146	95
Eastern Region	99	148

Category	2022	2021
Permanent (Saudi Investment Bank)	1,321	1,353
Outsourced	190	78
Alistithmar Capital	159	133

	2022		2021	
Age group	**Male**	**Female**	**Male**	**Female**
18-30 years	178	126	187	142
31-40 years	476	145	547	155
41-50 years	292	25	275	25
Over 50 years	76	2	19	3

	2022		2021	
Grade	**Male**	**Female**	**Male**	**Female**
Senior management	132	11	127	10
Middle management	259	60	253	50
Non-management	625	228	642	271

	Saudi Investment Bank			Alistithmar Capital			Total		
Saudization	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
Saudis (%)	91.6	91	90	82	83	80	87	90	89
Non-Saudis (%)	8.4	9	10	18	17	20	13	10	11

Male-female salary ratio	2022	2021	2020	2019	2018
Senior management	1:1.07	1:0.69	1:0.69	1:0.72	1:0.93
Middle management	1:0.95	1:0.24	1:0.23	1:0.89	1:0.83
Non-management	1:0.92	1:039	1:0.35	1:0.91	1:0.91

EMPLOYEE ENGAGEMENT INITIATIVES IN 2022

The following events during the year were aimed at engaging our employees, instilling a customer-focused culture, and promoting social responsibility.

World Happiness Day

To celebrate and promote happiness, we provided our employees with gift boxes, decorations and a photo booth.

Blood Donation Day

Employees were given the opportunity to donate life-saving blood in the garden area of The Saudi Investment Bank's Head Office.

Cybersecurity

Employees received gifts and educational material to raise awareness of cyber threats that can affect both the Bank and employees in their personal capacity.

Customer Experience Day (CX)

Employees received gifts and information packs relating to CX.

حملة أمين قدها

We created shields and certificates of honor for the winners in cooperation with the call center management.

Saudi National Day

Celebrated the heritage of the Kingdom at an all employee interactive event at our Head Office.

MOTIVATION AND RETENTION

The Bank (The Saudi Investment Bank and Alistithmar Capital) spent SAR 747 million on salaries and benefits in 2022.

Salaries and benefits (SAR '000s)	2022	2021	2020	2019
Fixed compensation	457,847	421,679	415,705	390,026
Variable compensation paid	83,310	75,612	83,000	82,000
Other employee benefits and related expenses	289,390	265,703	173,331	154,301
Total salaries and employee-related expenses	747,237	687,382	672,036	626,327

Employee benefits, over and above competitive remuneration, includes life insurance, medical insurance, fitness club membership, social security, loyalty programs, and allowances for housing and transportation.

Parental leave

Assistance is provided wherever possible to female employees to help them balance their work and family responsibilities. Paid maternity leave of up to 10 weeks and up to 180 days of sick leave is available to pregnant women.

	Male	Female
Number of employees who took parental leave	73	22
Number of employees who returned to work after parental leave	73	21
Number of employees who returned to work after parental leave who were still employed 12 months after return	73	22

Benefits payable to employees at the end of their services are accrued in accordance with guidelines set by the Saudi Labor Regulations and as per the Bank's accounting policies. The amount of provision made during the year ended December 31, 2022 for employees' end of service benefits was SAR 18.9 million (2021: SAR 19.3 million). The balance of the accrued benefits outstanding is approximately SAR 221.4 million (2021: SAR 193.7 million) as of December 31, 2022.

In addition, the Bank grants eligible employees other types of security and savings plans that are based on mutual contributions by the Bank and the employees. These contributions are paid to the participating employees at the respective maturity date of each Plan. The amount of provision made during the year ended December 31, 2022 for these plans was approximately SAR 52.5 million (2021: SAR 52.5 million).

Job rotation

A job rotation policy gives employees the opportunity to change jobs and obtain new knowledge, skills, and a broader view of the Bank's operations. It also helps to minimize discontentment as well as mitigate risk for the Bank by rotating employees through critical areas.

LEARNING AND DEVELOPMENT

The Bank invests in learning, development and engagement as key strategic drivers. During 2022, 80% of the Bank's employees received formal training. The Bank also offered eLearning modules via the learning management system to all employees. Our SAMA-aligned curriculum contributed to the development of employee digital capabilities, with their training focused on blockchain, IoT, and machine learning, as well as on Shariah governance and anti-money laundering.

Employees also used the following platforms to access training:

- LinkedIn
- Harvard
- Moody's
- Financial Academy
- Doroob
- Udemy

Over and above the training described above, the Bank has engaged a service provider to conduct psychometric analyses of the Bank's talent pool. The data gathered from this process is used to identify employees with high potential as well as determining each individual's strengths, motives, values, and areas for development.

Training statistics (The Saudi Investment Bank only)

	2022	2021	2020	2019	2018
Number of training programs	185	176	159	239	192
Total number of participants	2,018	1,252	1,302	1,423	1,681
Training days	5,441	2,412	1,732	4,543	3,775
Hours spent on training (based on a 7-hour training day)	38,087	15,541	12,124	31,801	26,425
Number of trained employees	1,009	626	531	598	1,107

	Number of employees			Number of person hours of training		
Grade	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	87	8	95	3,770	75	3,880
Middle management	328	58	386	12,345	1,025	13,370
Non-management	1,042	411	1,453	40,260	14,295	54,555

Type	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Mandatory	1,171	384	1,555	2,342	768	3,110
Non-mandatory	767	250	1,017	56,655	15,550	72,205
E-learning	1,171	384	1,555	1,171	384	1,555

Type	2022	2021	2020	2019
Formal training hours	31,143	15,541	12,124	30,618
Percentage of female employees (%)	25	24	30	48
Percentage of hours – Soft skills (%)	26%	9%	36	60
Percentage of hours – Technical skills (%)	74%	91%	64	40
Percentage of hours completed by female employees (%)	25	24	29	28
Total number of participants	2,027	1,320	1,302	1,443
eLearning modules	1,481	1,444	1,332	1,261

Training (Percentage of training hours per subject)

Soft skills	Banking operations	41%
	English skills	1%
	Management and personal skills	1%
	Quality assurance and customer service	1%
	Health and safety GRI 403-5	1%
Technical skills	Banking regulations	8%
	Financial and accounting	3%
	Human resources	5%
	Information technology	1%
	Leadership	3%
	Professional certificates	23%
	Risk management	7%
	Treasury and investment	1%
	Marketing and media	2%
	Project management	0%
	Events and conferences	1%
	Shariah-Compliant Banking	1%

OCCUPATIONAL HEALTH AND SAFETY

The Bank takes every step to protect the health and safety of its employees. In addition to security and safety policies, the Bank conducts branch inspections, safety sessions, and awareness programs. No fatalities, injuries, or absenteeism due to work-related health issues occurred during the year under review.

	2022	2021
Employee and Contractor fatalities	0	0
Employee and Contractor lost time injuries	0	0
Employee and Contractor total recordable injuries	0	0
Employee and Contractor absenteeism	0	0

GRIEVANCE POLICY

The grievance procedure is a section within the Human Resources Policy. It serves as a mechanism through which employees can be heard by the Bank's Management regarding any grievance related to their conditions of employment.

In the event of an employee wishing to raise a grievance, it is generally preferable for the matter to be satisfactorily resolved as close to the individual and their Line Manager as possible. In case this is not possible, a formal procedure is required to ensure the swift and fair resolution of the matter.

The grievance procedure is not intended to deal with dismissal or disciplinary matters, or disputes which are of a collective nature. If the grievance remains unresolved, the employee may choose, as a final level of appeal, to write to a dedicated email address that will be accessed by Senior Management. They will receive a response within 20 working days.

	2022	2021
Grievances filed during the year	0	0
Grievances filed during the year resolved	0	0
Grievances resolved during the year filed the previous year	0	0
Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported	
Operations and suppliers at significant risk for incidents of child labor	No operations and suppliers at significant risk for incidents of child labor reported	
Operations and suppliers at significant risk for incidents of forced or compulsory labor	No operations and suppliers at risk for incidents of forced or compulsory labor reported	

BENEFITS

Benefits payable to employees at the end of their services are accrued in accordance with guidelines set by the Saudi Labor Regulations and as per the Bank's accounting policies. The amount of provision made during the year ended December 31, 2022 for employees' end of service benefits was SAR 44.6 million. The balance of the accrued benefits outstanding is approximately SAR 221.3 million as of December 31, 2022.

In addition, the Bank grants to its eligible employee's other types of security and savings plans that are based on mutual contributions by the Bank and the employees. These contributions are paid to the participating employees at the respective maturity date of each Plan. The amount of provision made during the year ended December 31, 2022 for these plans was approximately SAR 55.0 million.

SAUDIZATION

As of December 31, 2022, the Saudization ratio was 91%, with female employees representing 22% of the workforce.

EMBEDDING ETHICS IN OUR CULTURE

SAIB's Code of Conduct and Ethical Standards

SAIB operates under the governing authority of its Board of Directors, which oversees the implementation and effectiveness of the Bank's ethical standards and Code of Conduct. The Bank's ethical standards and Code of Conduct represent a standard and a guide for high ethical principles and professional business dealings practices. Through its Code of Conduct, the Bank maintains a culture of professionalism wherein the utmost ethical standards prevail. The Bank's Code of Conduct is based on fundamental principles of integrity, confidentiality, and professionalism. It applies to all Directors, employees, consultants, affiliates, and any other person that may represent the Bank. During 2022, all employees of the Bank received communication on the Bank's anti-corruption policies and procedures, in line with SAMA regulations.

BUSINESS PARTNER CAPITAL

The Saudi Investment Bank seeks to develop lasting relationships with its vendors and service providers through mutual trust and beneficial outcomes for both parties, thereby ensuring that operations continue without interruption.

2022 highlights

- ZATCA new e-invoicing requirements
- New local suppliers / 77% of our suppliers are from the local community
- Local procurement spend of SAR 380 million

2023 focus areas

- Cross-selling
- Bringing more high-quality partners on board

Correspondent banks are also key business partners, through which the Bank conducts overseas transactions such as opening letters of credit.

OUR BUSINESS PARTNERS AT A GLANCE

A wide variety of business partners, vendors and service providers enable the Bank's services.

Their needs and expectations

Business partners expect:
- Mutual benefits and profitability
- Clear agreement on terms and adherence to agreements
- Ethical principles and business practices

Material risks:
- Economic slowdown and instability
- Compliance with growing governance and accountability requirements
- COVID-19 precautions
- Human and labor rights
- Cybersecurity threats
- Loss of social license to operate

Material opportunities:
- Vision 2030 drive to support SMEs
- Adherence to Islamic banking principles

How we respond

Fulfilling business partners' expectations through:
- Selecting partners that are aligned to our key values and objectives
- Primarily engaging local suppliers for procurement
- Clear and transparent agreements
- Terms of payments schedules

We engage through:
- A seamless tendering and bidding system
- Procurement policies
- Updates on future requirements, expansion plans and changes in systems and procedures

SUPPLIERS

The Bank's procurement costs center around stationery, equipment, and software. The Saudi Investment Bank is conscious of its impact on local communities and strives to source from Saudi suppliers whenever possible. Suppliers are regularly evaluated for their performance to ensure the timely procurement and quality of supplies and to maintain good relations. The Bank does its part to meet its payment obligations timeously.

	2022		2021	2020	2019	2018
	Had business with	New vendor created				
International suppliers	108	19	91	97	137	39
Local suppliers	229	49	301	262	305	148
Spending (international procurement) – SAR	92,999,862	6,770,687	97,201,181	82,270,891*	68,244,427	60,777,564
Spending (local procurement) – SAR	475,239,123	24,880,474	380,533,729	359,999,608*	399,433,627	389,513,667
Percentage of local procurement spending	79%	4%	80%	85%	87%	88%

*Items such as rent, petty cash, and utilities have been excluded

CORRESPONDENT BANKS
The Saudi Investment Bank's network of correspondent banks serves the MENA, European, African, and North American regions. These partners are crucial to supporting the Bank's overseas transactions.

STRATEGIC PARTNERSHIPS

WHOLLY OWNED SUBSIDIARIES
The Bank has 3 wholly owned subsidiaries: Investments in associates as of December 31, 2022 and 2021 include the Bank's ownership interest in associated companies in KSA, as follows:

	2022	2021
American Express (Saudi Arabia) ("AMEX")	50%	50%
YANAL Finance ("YANAL") (formerly 'Saudi ORIX Leasing Company')	38%	38%
Amlak International for Real Estate Finance Company ("AMLAK")	22.4%	22.4%

AMEX is a Saudi Arabian closed joint stock company in KSA with total capital of SAR 100 million. The principal activities of AMEX are to issue credit cards and offer other American Express products in KSA.

YANAL is a Saudi Arabian closed joint stock company in KSA with total capital of SAR 550 million. The primary business activities of YANAL include lease financing services in KSA.

AMLAK is a Saudi Arabian joint stock company in KSA with total capital of SAR 906 million. AMLAK offers real estate finance products and services in KSA.

All of the Bank's associates are incorporated in and operate exclusively in KSA.

The movement of investments in associates for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000s	2021 SAR'000s
Balance at beginning of the year	883,700	845,744
Share in earnings	70,856	54,808
Dividends	(31,571)	(18,013)
Share of other comprehensive income	-	1,161
Balance at end of the year	922,985	883,700

The Group owns a 50% equity interest in AMEX. The Management has assessed the investment in AMEX in accordance with the requirements of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IAS 28 - Investments in Associates and Joint Ventures for control, joint control, and significant influence respectively. The Group has concluded that it does not control or jointly control AMEX primarily due to a put option with the Bank and call option with the counterparty which is not currently exercisable. The Bank believes that the probable time frame to exercise the potential voting rights range between 6-10 months.

The Management has therefore concluded that the Group has significant influence over the financial and operating matters of the associated company and is therefore accounted for under the equity method of accounting.

The following table summarizes the associates' assets, liabilities, and equity as of December 31, 2022 and 2021, and income and expenses for the years then ended:

	2022 SAR'000s		
	AMEX	YANAL	AMLAK
Total assets	1,096,080	1,487,826	3,916,186
Total liabilities	709,490	575,439	2,671,666
Total equity	386,590	912,387	1,244,520
Total income	394,215	133,626	229,810
Total expenses	351,543	48,911	150,701

Investments in associates

	2021 SAR'000s		
	AMEX	YANAL	AMLAK
Total assets	1,091,265	1,472,036	3,764,577
Total liabilities	742,297	585,442	2,567,679
Total equity	348,968	886,594	1,196,898
Total income	301,027	144,766	217,671
Total expenses	274,282	92,256	134,756

The following table reconciles the summarized financial information to the carrying amount of the Bank's investments in associates as of December 31, 2022 and 2021:

	2022 SAR'000s			
	AMEX	YANAL	AMLAK	Total
Net assets	386,590	912,387	1,244,520	
Group's share of net assets	193,295	346,708	278,897	818,900
Goodwill	94,210	9,875	-	104,085
Carrying amount of interest	287,505	356,583	278,897	922,985

	2021 SAR'000s			
	AMEX	YANAL	AMLAK	Total
Net assets	348,968	886,594	1,196,898	
Group's share of net assets	174,484	336,906	268,225	779,615
Goodwill	94,210	9,875	-	104,085
Carrying amount of interest	268,694	346,781	268,225	883,700

AFFILIATIONS

GRI Community member

The Saudi Investment Bank was a Gold Member of the GRI Community in 2020. The GRI Community is a global collaborative network of companies and Stakeholders committed to transparent ESG and overall sustainability reporting.

SOCIAL AND ENVIRONMENTAL CAPITAL

"Awn" (helping others) and "Hifth" (environmental protection) are 2 of the pillars of The Saudi Investment Bank's sustainability framework that highlights the Bank's social and environmental responsibility. The Bank has a responsibility to support the Saudi Arabian communities that form our customer base, and to help the disadvantaged. The Bank also has a responsibility to minimize its environmental footprint and conserve natural resources to ensure continued long-term value creation. Our sustainability strategy aims to influence all Stakeholders to be aligned to practices that benefit society, the economy, and the Kingdom as a whole.

2022 highlights

- Continued success of the Building Management System
- Deactivating all charity organizations from WooW Al Khair, except for official government platforms such as Ehsan
- Hosting a blood donation event at which 87 Bank employees donated their blood
- A 73% reduction in our GHG Scope 2 Emissions after implementing BMS and other initiatives
- A 61% reduction in air conditioning (AC) maintenance requests by our branches

2022 challenges

- Continuing with social and environmental projects despite COVID-19 restrictions and considerations

2023 focus areas

- Reducing the use of water and electricity
- Increasing our paper and plastic recycling
- Reducing our paper consumption overall

OUR COMMUNITIES AT A GLANCE

Our communities stretch across Saudi Arabia, and we assist disadvantaged groups within these communities.

Their needs and expectations

Communities expect:
- Access to advice, products and solutions to enhance financial well-being
- Social investments
- Community upliftment
- Financial education
- Financial inclusion

Related material risks:
- Economic slowdown and instability
- Human and labor rights violations
- Loss of social license to operate

Related material opportunities:
- Vision 2030 drive to support SMEs
- Equal opportunity and anti-discrimination
- Community investment and engagement
- Environmentally friendly corporate practices
- Increasing demand for green banking and green lending

How we respond

Fulfilling community expectations through:
- Community support and investments
- Financial literacy programs
- Community health and wellness initiatives
- Sponsorships
- Internships

We engage by:
- Conducting social programs focused on health and education
- Employee volunteers assisting with social programs

ENVIRONMENTAL

SAIB recognizes the importance of sustainability, and continuously assesses new sustainable business opportunities. The Bank proactively supports sustainable initiatives through the financing of environmentally friendly projects that center around renewable energy, recycling, water treatment, wastewater treatment, hazardous waste disposal, and other environmental services.

ENVIRONMENTAL POLICIES AND SYSTEMS

As one of the Bank's 5 sustainability pillars, Hifth (environmental protection) signifies the Bank's consciousness with regards to how it impacts the environment and strives to minimize negative impacts. The importance the Bank gives to the environment is further highlighted by its commitment to Vision 2030.

Environmental goals are incorporated into routine operations, procedures and processes and are integrated into employee awareness messages.

Environmental management

The Bank directly impacts the environment through its operations and indirectly through its value chain. To measure our environmental impact and improve upon it, the Bank aligned to the ISO 14000 standard for the implementation of an Environmental Management System (EMS). This EMS covers a wide range of environmental issues, including protecting the environment by minimizing and mitigating adverse impacts, mitigating the environment's impact on the Bank, fulfilling compliance obligations, realizing financial and operational benefits from environmentally sound alternatives, and communicating environment-related information.

A Procedures Manual underpins the EMS implementation by:

- Defining Stakeholder needs and expectations regarding the environment.
- Identifying environmental conditions that affect the Bank.
- Identifying the environmental impact of the Bank's activities.
- Defining the risks and opportunities that need to be considered for the management of environmental issues.
- Designing a framework to implement the Bank's environmental policies and objectives.
- Identifying key performance indicators (KPIs) for measuring its environmental performance.

Building a management system

To develop a comprehensive understanding of the environmental impact of the Bank's energy usage and emissions, the Bank implemented a Building Management System (BMS) across all branches in the Kingdom to guide the minimization of our environmental impact. Since being implemented in 2015, the BMS has delivered a significant year on year reduction in energy consumption (MW/h), averaging 20% compared to the Baseline Target Energy Consumption of FY2015. As a result, The Saudi Investment Bank BMS has won the following award on international platforms.

- Our BMS results have significantly contributed in the documentation of the Bank winning the Golden Award King Abdulaziz Quality Award at the Sixth Edition in 2022.

During 2022, the BMS facilitated a reduction in electricity consumption at our various buildings. This will contribute positively to the environment. The Bank also ran a paper and plastic recycling campaign resulting in reduced paper consumption by 79% compared to the baseline measured in 2017. In addition, the Bank installed solar systems at 5 sites across the Kingdom.

ENVIRONMENTAL PERFORMANCE

The efforts of our BMS team in tracking detailed energy usage has been fundamental to sustaining overall progress. As a result of these efforts, many timely initiatives were taken to identify lapses. Management took prompt action to implement eco-friendly initiatives, such as a solar system, LED lighting, energy-efficient IT and air conditioning systems, and water conserving systems. We are pleased to have achieved a 10% reduction compared to FY2016 in our GHG Scope 2 emissions after the implementation of BMS and other initiatives.

Energy consumption and emissions

The recorded SAIB total energy consumption for FY 2022 is 31,635 MW/h. Energy usage is measured using smart meters provided by the national grid service provider Saudi Electricity Company (SEC). The Saudi-listed firm SEC affirmed that all meters have been approved by the Saudi Standards, Metrology, and Quality Organization (SASO), in accordance with the procedures followed by the National Legal Calibration Program (standardization).

Energy savings over the past 5 years

- Over SAR 2.5 million in cost savings
- More than 8 GWh of energy saved
- More than 2,323 tons of CO2 avoided

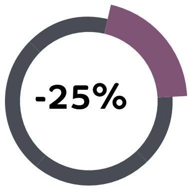
These savings were achieved against the following baseline targets:
- Baseline Target FY2015 Energy Consumption: 38,610 MWh
- Baseline Target FY2018 Energy Consumption Projected Amount: SAR 11,595,870

GHG emissions Direct Scope 1 (Fuel/Diesel usage) was 140, while GHG emissions Indirect Scope 2 (Electricity usage) was 17,969. This was against a baseline target FY2015 Energy Consumption: 38,610 MWh and baseline target FY2018 Energy Consumption Projected Amount: SAR 11,595,870. With regards to renewable energy, we reduced CO2 emissions by 299.76 tons through the installation of solar systems.

	Energy consumption			GHG Emissions		Petrol/Diesel consumption	
	MWh	GJ	SAR	Direct Scope 1 (Fuel/Diesel usage)	Indirect Scope 2 (Electricity usage)	Liter	GJ
2016	33,541	120,748	9,877,600	264	21,936	110,005	8,813
2017	32,596	117,346	10,132,628	257	20,673	107,310	8,584
2018	28,258	101,729	9,249,624	255	18,481	106,110	8,162
2019	31,883	114,779	10,003,314	257	20,851	83,178	6,398
2020	29,807	107,305	9,561,695	254	19,494	79,193	6,092
2021	29,519	91,870	9,087,525	173	16,690	72,192	2,498
2022	31,635	113,885	11,880,451	140	17,969	58,338	2,018

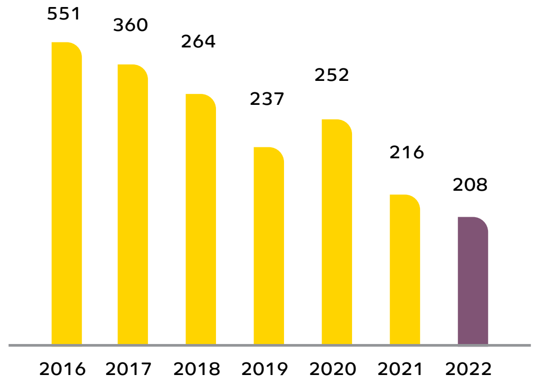
Our BMS Operations also helped enhance the equipment reliability of the installed air conditioning (AC) system. Constant monitoring on specifically designed BMS Dashboards enables the pro-active identification of issues to reduce the year-on-year variance in the number of logged AC breakdown incidents:

Objective to reduce our carbon footprint since BMS (2016) implementation



of our CO2 emissions per employee by 2023

AC breakdown incidents - Branches



Due to the proactive approach of our BMS team, we have managed to effectively reduce the number of AC breakdowns and AC incidents opened by the end user in our branches. Comparing to the FY2016, we have successfully managed to reduce the incoming AC System maintenance requests for our branches by 62% in 2022.

PAPER USAGE AND RECYCLING

Total paper consumption (Kgs)

2022	2021	2020	2019	2018	2017
15,728	28,122	25,802	46,325	68,770	73,995

Paper recycled (Kgs)

2022	2021	2020	2019	2018	2017
5,376	8,968	4,760	8,007	48,384	9,676

Paper consumption/employee (Kgs)

2022	2021	2020	2019	2018	2017
12.27	21.39	19.58	35	46	49

Plastics recycled (Kgs)

2022	2021	2020	2019	2018	2017
2,264	2,512	2,680	3,735	10,788	1,194

Electronics recycled (Kgs)

2022	2021	2020	2019	2018	2017
-	-	-	5,560	14,620	2,010

Water consumption and expenditure

Water plays a critical role in our day to day lives - we understand the vital need to conserve and protect our water resources. We embed water conservation strategies into our building management system to lower costs and mitigate risks posed by water availability. We strive to reduce consumption through our Building Management System and continued internal awareness activities.

61,446,470
Consumption (liters)
(2021: 63,362,288)

368
Expenditure (SAR '000s)
(2021: 379)

LOOKING AHEAD: FUTURE INITIATIVES

In 2023, our primary focus areas will be as follows:

- Increasing our renewable energy sources contribution to our electrical architecture in order to reduce dependency on the national grid-supplied electricity
- Increasing the usage of more environmentally friendly refrigerants in our cooling systems
- Reducing our water and electricity usage
- Reducing our paper consumption
- Increasing our recycling rates for paper and plastic

SOCIAL RESPONSIBILITY

Community Service and Sustainability

We are aware that we, alongside our Stakeholders, operate in a nested system in which the prosperity of society is dependent on how we treat marginalized and disadvantaged communities. This means that for our business to succeed, we need a thriving economy, a well-functioning society and a healthy environment.

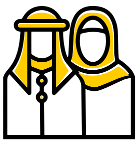
We also recognize that sustainability issues such as climate change, inequality, and social injustice are playing an increasingly material role in shaping this system. Within this context, our purpose guides our strategy, behaviors and actions towards the delivery of meaningful social investments. We use Vision 2030 and our Sustainability Program to focus our efforts. Projects were approved as part of the annual business planning and budgeting process.

During 2022, we supported local companies and SMEs, employed and promoted Saudi nationals, especially women, and contributed to the growth of the private sector. We also promoted a culture of innovation, positivity, flexibility and discipline. As part of this effort, the Bank sponsored several projects ranging from sporting, cultural and youth activities. The Bank also supported various social projects with the aim of increasing environmental awareness.

Awn (helping others) is one of our strategic pillars, reinforcing social responsibility as part of our corporate identity. The Bank also encourages its Stakeholders to adopt sustainable practices to benefit the economy, society, and the Kingdom.

Total volunteers
105
(2021: 117)

Volunteers as a percentage of total employees
8%
(2021: 9%)



Male volunteers
65%
(2021: 68%)

Female volunteers
35%
(2021: 32%)

Hours worked
117
(2021: Due to COVID-19 no hours were reported)

2022 INITIATIVES

Social responsibility highlights for 2022 include:

Gamers8

July 19, 2022: The Saudi Investment Bank is the official Banking Partner at the World's Largest Sports and e-games events gamers8

Eid Al Adha

July 17, 2022: Eid Al Adha 2022

King Fahad University of Petroleum and Minerals

March 30, 2022: Sponsorship of King Fahad University of Petroleum and Minerals 2022

World Happiness Day

March 20, 2022: World Happiness Day 2022

International Conference on Food Security and Environmental Sustainability
March 8, 2022: First International Conference on Food Security and Environmental Sustainability Event

Founding Day 2022
February 21, 2022: Founding Day 2022

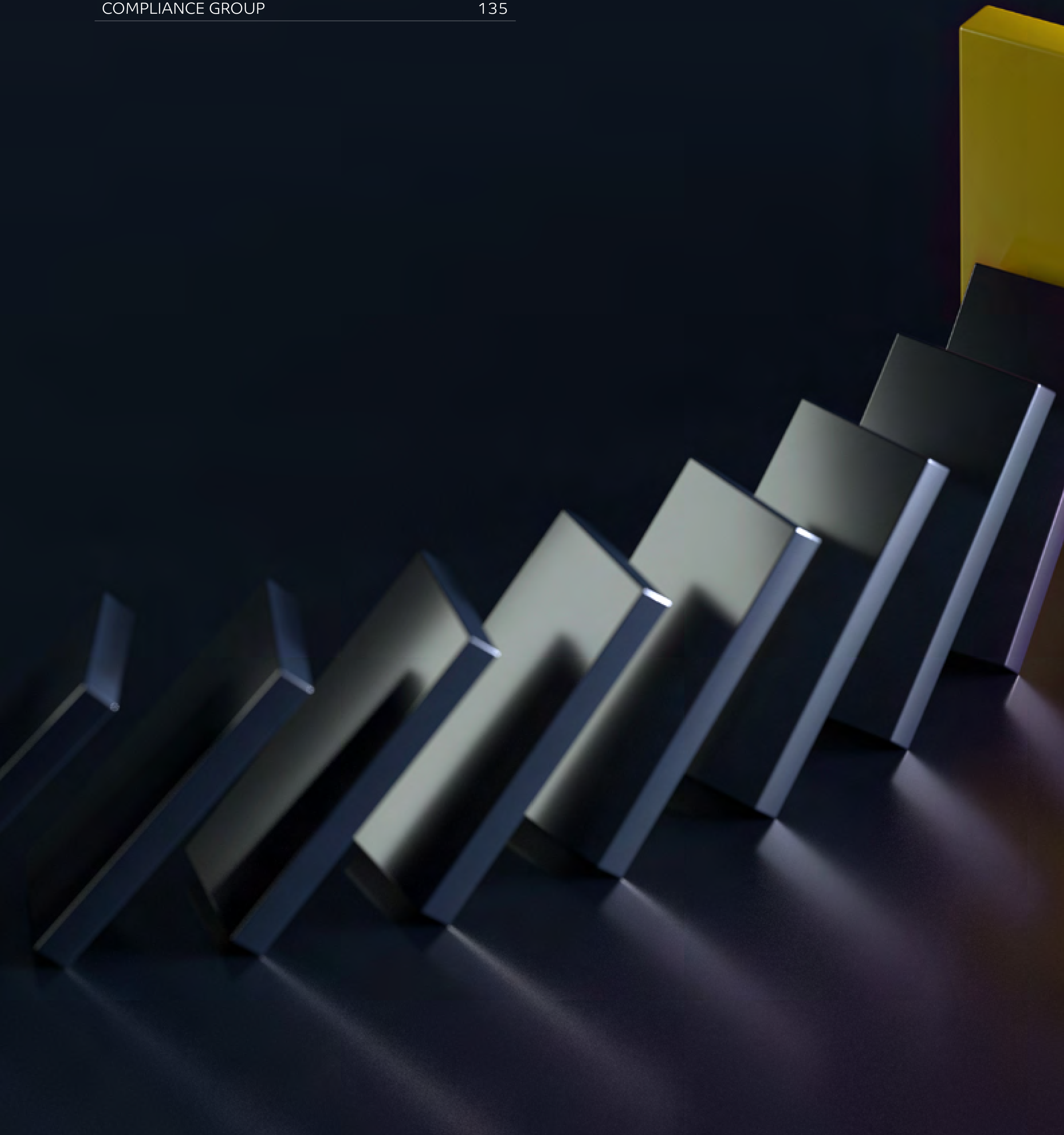
Ehsan
Our new agreement with Ehsan National Platform for Charitable Work, an official government charity entity, makes Ehsan an official partner in place of the Bank's Woow program. The agreement comes as part of our commitment to good governance and how we engage charitable organizations.

Blood donations
In June 2022 a 2-day employee blood donation event took place at the Bank's head office, in collaboration with the King Faisal Specialist Hospital. Employees were encouraged to register using the Wateen app, which helps find patients needing your blood type in nearby blood donation centers.

Sustainability benchmarking
A sustainability benchmark report was developed and communicated to Senior Management. The report provided information to link The Saudi Investment Bank's strategy and initiatives with Vision 2030. The benchmark also included an analysis of the sustainability practices of leading international companies.

Saudi National Day
The Bank celebrated Saudi National Day on September 23, 2022. Our national pride campaigns on social media saw more than 45 million hashtag engagements on Twitter, while our employees contributed to a celebratory video that we shared with our consumers.

Good Stewardship 05



CORPORATE
GOVERNANCE

SAIB is committed to the highest standards of governance, ethics and integrity. The Bank embraces world-class banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure and stable. The Bank reviews these practices and frameworks on an ongoing basis, being mindful of the dynamic landscape in which we operate, to ensure that we act in the best interest of all our Stakeholders.

SAIB's governance is established by the tone set at the top through purpose-driven leadership by the Board and Management, and the values and behaviors expected from all employees in the organization. The Bank's top leadership continues to drive and enable new leadership mindsets and capabilities required to manage and thrive in an agile, digital, and disruptive environment.

PRINCIPLES OF GOVERNANCE AT THE SAUDI INVESTMENT BANK

Control environment – the internal control mechanics, driven by the Board's responsibilities toward Stakeholders, supported by guidelines documented in simple and accessible policies, procedures, and authorities that guide actions and govern practices

Risk management – the framework, independent function, and associated processes to effectively identify, monitor and to control the impact of material and emerging risks facing the Bank in its operating landscape, and with its Stakeholders

Transparency and disclosure – the timely and accurate flow of information impacting the Bank to internal and external Stakeholders including employees, regulators, and investors

Commitment and follow-up – the commitment to the tenets of a strong Governance culture across the Bank through continuous monitoring, evaluation and follow-up to maintain effectiveness and to identify opportunities for improvements

Code of Conduct and ethics – the commitment of implementing the values and ethical principles on professional conduct is enforced throughout the organization as set out in Code of Conduct and Ethics Policy.

Stakeholders rights – the commitment to ensure protection and implementation of necessary Shareholder rights as well as the rights of other Stakeholders is imposed as set out in the Stakeholders Management Policy.

Conflict of interest – the commitment to segregate duties and the implementation of appropriate controls to minimize the risk of potential conflicts of interest which might impact the Bank or its operations.

Social responsibility – the Bank recognizes the importance of Social contributions and is committed to putting Social programs in place.

BOARD COMMITTEES AND THEIR COMPOSITION

The Board has the ultimate responsibility for the success, soundness and solvency of the Bank and is accountable for protecting depositor and Shareholder funds. The main responsibilities of the Board members include challenging, contributing, approving and monitoring the business strategy of the Bank, approving and overseeing the implementation of the Bank's overall risk management strategies, monitoring and overseeing the Bank's performance and risks through laid down limits for Management, including those for its subsidiaries. The Board operates through 6 Committees as given below:

- The **Executive Committee** is comprised of 5 Board members. The Committee supervises the credit and financial policies of the Bank and oversees the Bank's business strategy and its execution. The Committee's responsibilities also include reviewing, monitoring and approving key financial and non-financial business, and investment and operational decisions of the Bank within the authority defined by the Bank.
- The **Audit Committee** is comprised of 5 members, 2 Board members and 3 non-Board members. The Audit Committee provides independent oversight of the integrity of the Bank's Annual Financial Statements and the effectiveness of the Bank's internal audit, external audit and finance function. In addition, the Committee is responsible for

supervising and reviewing the effectiveness and independence of Internal Audit and External Auditors, reviewing the Compliance and Anti-money laundering processes including code of conduct and whistleblowing cases, reviewing and evaluating the nature and effectiveness of the Bank's Internal Control system including IT systems controls, their security and their vulnerabilities, and recommending the appointment of the External Auditors.

- The **Nomination and Remuneration Committee** is comprised of 4 Board members. The Committee is responsible for ensuring the Board has the appropriate balance of skills, qualifications and experience for it to execute its duties effectively. The Committee is also responsible for establishing a succession plan for the Board – which includes identifying, mentoring and developing future candidates. It is also responsible for approving the appointment and remuneration of Senior Executives of the Bank, reviewing and supervising the implementation of succession planning and training of the Bank's Board members, the CEO, and the direct reports of the CEO.

- The **Governance Committee** is composed of 3 Board members. The Committee is responsible for promoting and implementing best practices of governance by acting on behalf of the Board to ensure the implementation of these practices in all activities of the Bank. The Committee also monitors the Bank's compliance with relevant local and international regulations. The Committee also monitors and guides the Governance function in the Bank, including its ownership of corporate governance policies, processes and procedures.

- The **Risk Committee** comprises 4 Board members. The Committee is responsible for ensuring that material risks, which could affect the Bank, are identified, evaluated and effectively managed and reported. In addition, the Committee is tasked with ensuring that the Bank's policies and processes are adequate to ensure compliance with the required legislative and regulatory requirements. The Committee also ensures that adequate systems of fraud management are in place, as well as processes and controls that manage business continuity and disaster recovery within the Bank.

- The **Shariah Committee** is comprised of 3 members. The Committee is responsible for providing Shariah opinions on submitted applications and related contracts and forms. The Committee is also responsible for ensuring the Bank's compliance with Shariah principles and decisions through the Shariah control function. In addition, the Committee answers Shariah related enquiries for the Bank and its customers.

The composition of the 6 Board Committees is presented below:

Executive Committee	**Audit Committee**	**Nomination and Remuneration Committee**	**Governance Committee**	**Risk Committee**	**Shariah Committee**
Mr. Abdulaziz Al-Khamis (Chairman)	Mr. Khaled AlRowais (Chairman)	Mr. Mohammed AlGrenees (Chairman)	Mr. Yasser Aljarallah (Chairman)	Mr. Mohammed Bamaga (Chairman)	Dr. Mohamed Elgari (Chairman) (non-board)
Mr. Abdul Rahman Al-Rawaf	Mr. Mohammed Bamaga	Mr. Abdulaziz Al-Khamis	Mr. Khaled AlRowais	Mr. Mohammed AlGrenees	Dr. Ibrahim Al-Lahim (non-board)
Mr. Mohammed Saleh Alkhalil	Mr. Bader AlMazroua (non-board)	Mr. Yasser AlJarallah	Mr. Abdullah Al-Zaben	Mr. Khaled AlRowais	Dr. Khaled AlSayari (non-board)
Mr. Abdullah Sulaiman Al-Zaben	Mr. Alma AlMoter (non-board	Mr.Abdul Rahman Al-Rawaf		Mr. Yasser AlJarallah	
Mr. Mohammed Algrenees	Mr. Fayez Belal (non-board)				

PERFORMANCE OF THE BOARD OF DIRECTORS

Corporate Governance continues to be an important aspect of the business world in which the Board of Directors is entrusted, among its other duties, to oversee the Bank, implement the Bank's strategic objectives, approve risk strategy, approve corporate governance rules and principles of professional conduct, and supervise Senior Management.

To review the Board's effectiveness, including its own controls and work procedures, the Board of Directors carries out an annual internal assessment of the Board as whole, its members, its Committees and Board Committees' members. The assessment is performed by an external specialized consultant every 3 years.

Board meetings

Five Board of Directors meetings were held during 2022.

Directors' attendance

The details of the attendance of the Board and non-Board members in the Bank's Board and Board Committee meetings held during the year follows:

Board member	February 14, 2022	April 13, 2022	July 28, 2022	October 27, 2022	December 22, 2022
Mr. Abdallah Saleh Jum'ah		x	x	x	x
Mr. Abdulaziz Al-Khamis	x	x	x	x	x
Mr. Abdul Rahman Al-Rawaf	x	x	x	x	x
Mr. Mohammed Algrenees	x	x	x	x	x
Mr. Mohammed Bamaga	x	x	x	x	x
Mr. Yasser Aljarallah	x	x	x	x	x
Mr. Abdullah Al Zaben	x	x	x	x	x
Mr. Khaled Al Rowais	x	x	x	x	x
Mr. Mohammed Alkhalil	x	x	x	x	x

The details of the attendance of Board members in Shareholders meetings held during the year follows:

Ordinary General Assembly Committee meeting April 19, 2022	Extraordinary General Assembly Committee meeting February 01, 2022
Mr. Abdallah Saleh Jum'ah	Mr. Abdallah Saleh Jum'ah
Mr. Abdulaziz Al-Khamis	Mr. Abdulaziz Al-Khamis
Mr. Abdul Rahman Al-Rawaf	Mr. Abdul Rahman Al-Rawaf
Mr. Khaled Al Rowais	Dr. Fouad Al-Saleh
Mr. Abdullah Al Zaben	Mr. Saleh Al-Athel
Mr. Mohammed Al Khalil	Mr. Mohammad Al-Ali
Mr. Yasser Aljarallah	Mr. Yasser Aljarallah
Mr. Mohammed Bamaga	Mr. Mohammed Bamaga
Mr. Mohammed Algrenees	Mr. Mohammed Algrenees

COMMITTEE PERFORMANCE

Executive Committee meetings

Thirteen Executive Committee meetings were held during 2022 as follows:

Committee member	Jan 31	Feb 28	Mar 28	Apr 20	May 30	Jun 27	Jul 25	Aug 29	Sep 26	Oct 31	Nov 28	Dec 18	Dec 26
Mr. Abdulaziz Al-Khamis	×	×	×	×	×	×	×	×	×	×	×	×	×
Mr. Abdul Rahman Al-Rawaf	×	×	×	×	×	×	×	×	×	×	×	×	×
Mr. Mohammed Algrenees	×	×	×	×	×	×	×	×	×	×	×	×	×
Mr. Mohammed Al Khalil		×	×	×	×	×	×	×	×	×	×	×	×
Mr. Abdullah AlZaben		×	×	×	×	×	×		×	×	×	×	×
Dr. Fouad Al-Saleh[1]	×												
Mr. Saleh Al-Athel[1]	×												

1) Former Board member

Audit Committee meetings

Seven Audit Committee meetings were held during 2022 as follows:

Committee member	January 30, 2022	April 12, 2022	May 23, 2022	July 27, 2022	October 26, 2022	November 13, 2022	December 21, 2022
Mr. Mohammed Bamaga		×	×	×	×	×	×
Mr. Khaled Salem AlRowais			×	×	×	×	×
Mr. Fayez Belal	×	×	×	×	×	×	×
Mr. Alma Saeed AlMoter		×	×	×	×	×	×
Mr. Bader AlMazroa		×	×	×	×		×
Mr. Mohammad Al-Ali[2]	×						
Mr. Abdullah Al-Anizi[2]	×						
Mr. Monahy Al-Moreikhy[2]	×						

2) Former member

Nomination and Remuneration Committee meetings

Three Nomination and Remuneration Committee meetings were held during 2022 as follows

Committee member	February 06, 2022	July 25, 2022	December 18, 2022
Mr. Mohammed Algrenees		×	×
Mr. Abdulaziz Al-Khamis	×	×	×
Mr. Abdul Rahman Al-Rawaf	×	×	×
Mr. Yaser Al-Jarallah		×	×
Dr. Fouad Al-Saleh[2]	×		
Mr. Saleh Al-Athel[2]	×		

2) Former member

Governance Committee meetings

Two Governance Committee meetings were held during 2022 as follows:

Committee member	July 27, 2022	December 20, 2022
Mr. Yasser Aljarallah	×	×
Mr. Khaled Al Rowais	×	×
Mr. Abdullah Al Zaben	×	×

Risk Committee meetings

Seven Risk Committee meetings were held during 2022 as follows:

Committee member	February 23, 2022	March 10, 2022	April 12, 2022	July 24, 2022	August 22, 2022	October 26, 2022	December 08, 2022
Mr. Mohammed Bamaga	×	×	×	×	×	×	×
Mr. Mohammed Algrenees	×	×	×	×	×	×	×
Mr. Yasser Aljarallah	×	×	×	×	×	×	×
Mr. Khaled Al Rowais	×	×	×	×	×	×	×

Shariah Committee meetings

Six Shariah Committee meetings were held during 2022 as follows:

Committee member	March 03, 2022	March 22, 2022	April 13, 2022	July 26,2022	October 18, 2022	December 15, 2022
Dr. Mohamed Elgari	×	×	×	×	×	×
Dr. Khaled AlSayari	×	×	×	×	×	×
Dr. Ibrahim Al-Lahim	×		×	×	×	×

DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The Bank's policy regarding remuneration of the Chairman and members of the Board of Directors is based on the limits set out in the Companies Regulations and the instructions of the Saudi Central Bank, as stated in the Bank's Governance Manual, which is available on the Bank's website. The remuneration paid to Directors and Executives during the year ended December 31, 2022 was as follows:

Board remuneration

	Board Remuneration (SAR '000)													
	Fixed remunerations					Variablew remunerations								
	Specific amount	Allowance for attending Board Meenting	Total Allowance For attending Committee Meetings	Remunerations of the chairma ,Managing Director or Secretary , if a member	Total	Percentage of the profits	periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate amount	Expenses Allowance
First: Independent Directors														
Mohammed Algrenees	365	25	110	-	500	-	-	-	-	-	-	-	500	-
Yasser Aljarallah	420	25	55	-	500	-	-	-	-	-	-	-	500	-
Mohammed Bamaga	420	25	55	-	500	-	-	-	-	-	-	-	500	52
Khaled Al Rowais	350	25	60	-	435	-	-	-	-	-	-	-	435	-
Fouad Al-Saleh	44	-	10	-	54	-	-	-	-	-	-	-	54	-
Saleh Al-Athel	44	-	10	-	54	-	-	-	-	-	-	-	54	-
Mohammad Al-Ali	44	-	5	-	49	-	-	-	-	-	-	-	49	4
Total	1,687	100	305	-	2,092	-	-	-	-	-	-	-	2,092	56
Second: Non-Executive Directors														
Abdullah Saleh Jum'ah	1,800	-	-	-	1,800	-	-	-	-	-	-	-	1,800	-
Abdulaziz Al-Khamis	395	25	80	-	500	-	-	-	-	-	-	-	500	20
Abdul Rahman Al-Rawaf	395	25	80	-	500	-	-	-	-	-	-	-	500	-
Mohammed Alkhalil	355	25	60	-	440	-	-	-	-	-	-	-	440	-
Abdullah Al Zaben	345	25	65	-	435	-	-	-	-	-	-	-	435	-
Total	3,290	100	285	-	3,675	-	-	-	-	-	-	-	3,675	20

Non-Board Committee member remuneration

	(SAR '000)	
Non-Board Committee member remuneration	**Audit Committee Members**	**Shariah Committee Members**
Fixed Remuneration	750	567
Allowances for attending committee meetings	102	85
Total	**852**	**652**

There was no variable remuneration paid to the other non-Board Committee members during 2022.

Senior Executive remuneration

Senior Executive remuneration	(SAR '000)
Fixed remuneration	**Senior Executives**
Salaries	15,144
Allowances	6,550
Sub total	21,694
Variable remuneration	
Deferred Amount	2,154
Short-term incentive plans	12,196
Sub total	14,350
End-of service award	1,736
Total	**37,780**

RISK MANAGEMENT

SAIB has a clearly defined Risk Management Framework within a set risk taxonomy, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact. The Bank endeavors to ensure that significant and measurable risks are identified, quantified and managed proactively. The Bank also aims to enhance risk adjusted returns and provide financial comfort and stability to our customers and other Stakeholders.

The Board-approved Risk Management Policy Guide is the overarching policy document. Prepared in accordance with SAMA guidelines, the policy covers the risks the Bank is exposed to in the pursuit of its business. The policy also describes the risk governance structures and risk management policies in place for the management, monitoring and control of the risks through Board approved policies such as Risk Appetite Framework Policy, Credit Policy Guide, the Treasury Policy Guide, Stress Testing Policy, the Internal Capital Adequacy Assessment Plan Policy, the Operational Risk Management Framework and Policy, and the Cybersecurity Policy, among others.

The Bank manages its risks in a structured, systematic, and transparent manner through a broad-based Risk Appetite Framework (RAF). The framework embeds comprehensive risk management into the Bank's organizational structure, risk measurement, and monitoring processes. The RAF is aligned with the Bank's strategy, business planning, capital planning, policies and various other documents approved by the Board. The RAF complies with the Financial Stability Board's "Principles for an effective Risk Appetite Framework" dated November 18, 2013, as adopted by SAMA.

The RAF includes the following key characteristics:

- The nature of risks to be assumed as a result of the Bank's strategy
- The maximum level of risk at which the Bank can operate (Risk Capacity) and the maximum level of risk it should take (Risk Appetite)
- The maximum level of other quantifiable risks that should be considered (Other Risk Limits)
- The desired balance of risks versus returns by Business Line (Business Unit Risk Appetite measurements)
- The desired risk culture, compensation programs, business continuity management, information technology and cybersecurity risk, and the overall compliance environment of the Bank for a successful implementation of the RAF (Qualitative Reporting).

The Board is responsible for establishing Corporate Governance processes in addition to approving and implementing other required policies to ensure compliance with SAMA guidelines, accounting and reporting standards, and best industry practices including Basel guidelines.

The Bank's Board approved "IFRS 9 Governance Framework Policy" addresses the Bank's IFRS 9 Approach and Methodology Policy, which is supplemented with additional Management level policies including an IFRS 9 Data Management and Control Framework Policy, and the IFRS 9 Governance Framework along with related accounting and operating procedures.

The Board is supported by the Board Risk Committee, a sub-committee of the Board, responsible for reviewing and subsequently recommending risk management policies and other documents for Board approval and for monitoring risks within the Bank.

At Management level, the Bank operates various committees including an Enterprise Risk Management Committee, a Credit Committee, and an Asset Liability Committee, which are responsible for various areas of risk management. A Management level Expected Credit Loss Committee linked to the Bank's IFRS 9 Governance and Framework Policy is responsible for all aspects of IFRS 9 including the determination of expected credit loss calculations and provisioning levels.

Other Management level committees include the Operational Risk Management Sub-Committee, Business Continuity Management Sub-Committee, Cybersecurity Steering Committee, and the Structured Solution Approval Committee.

The Bank has a Risk Management Group headed by the Chief Risk Officer where the Risk Management

Function is segregated into various departments / sub-divisions such as; Risk Analytics and Monitoring, Retail Risk Management, Market Risk Management, Credit Risk Review, Financial Restructuring, Cybersecurity, Operational Risk Management, Special Credit Unit, Legal Affairs, Retail Collection, Credit Administration, and Anti-Fraud, Anti-Bribery and Corruption.

In addition to the above, the Bank's Internal Audit function reports to the Audit Committee of the Board of Directors and provides an independent validation of business and support unit compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Bank-wide basis.

TYPES OF RISK FACED BY THE BANK

The following provides a description of the Bank's significant risks including how the Bank manages these risks:

Credit risk

Credit Risk arises from the potential that a borrower or counterparty will fail to meet its financial obligations to the Bank. The exposure to credit risk arises primarily from loans and advances, investments, and due from Banks and other financial institutions. Credit risk is also present in off-balance sheet financial instruments such as Letters of Credit, Acceptances, Guarantees, Derivatives, and Commitments to extend credit.

The Bank has a comprehensive framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Bank assesses the probability of default of counterparties using internal rating tools. This is supplemented by external ratings assigned by the major rating agencies, where available.

In addition, the Bank has improved the overall credit risk control function by further investment in a post sanction review process to ensure credit underwriting standards are maintained.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices.

Commission rate risk arises from the possibility that changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Board of Directors has established commission rate gap limits for stipulated time periods. The Bank also routinely monitors its positions and uses hedging strategies to ensure maintenance of positions within established gap limits.

Currency risk is the risk 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 independently monitored.

Equity price risk is the risk of a decrease in fair values of equities in the Bank's investment portfolio as a result of possible changes in levels of equity indices and the value of individual shares. The Board of Directors sets limits on the level of exposure to each industry, and overall portfolio limit, which are independently monitored.

Liquidity risk

Liquidity risk is when the Bank may be unable to meet its net funding requirements when needed and at an acceptable cost. Liquidity risk can be caused by market disruptions or credit rating downgrades for the Bank, which may cause certain sources of funding to dry-up unexpectedly.

The Bank's management carefully monitors the maturity profile of its assets and liabilities to ensure that adequate liquidity is maintained on a daily basis. In addition, the Daily Liquidity Coverage Ratio, Net Stable Funding Ratio, and the Loans to Deposit Ratio are monitored regularly and independently to ensure compliance with SAMA guidelines. The Bank also conducts regular liquidity stress testing under a variety of scenarios which covers both normal and more severely stressed market conditions. All liquidity policies and procedures are subject to review and approval by the Bank's Asset and Liability Committee.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.

The Bank's Operational Risk Management Framework and Policy provides a Bank-wide definition of operational risk and lays down a framework through which operational risks are identified, assessed, monitored, and controlled. The key components of this framework include the Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Scenario Analysis, and Incident Management, which are comprehensively documented in the Bank's operational risk procedures.

Operational risks and respective controls across business and support units of the Bank are regularly monitored through RCSA exercises, close monitoring of agreed action plans emanating from the RCSA exercises, and establishing an Operational Risk Appetite for the Bank. In addition, operational risk losses incurred by the Bank are analyzed for defining corrective actions to eliminate or minimize similar losses in the future.

Global major operational loss incidents across the Banking industry are also duly analyzed to assess expected impact in case similar incidents are experienced by the Bank. The Bank's KRIs cover all the business and support units to facilitate proactive monitoring and management of operational risks.

Cybersecurity risk

The Cyber and Information Security Risk landscape continues to be dynamic and challenging. The Bank proactively addresses ongoing cybersecurity challenges and deploys dynamic defenses using multiple countermeasures for prevention, detection, and response. Various security measures are deployed using the defense in-depth and multilayer security principle to ensure the effectiveness of the Bank's overall security posture.

The Bank has also strengthened its existing governance structure by implementing industry best security practices that ensure confidentiality, integrity, privacy, and availability, which are treated as an integral part of all business and technical processes. Alignment of information security and business objectives are maintained through the implementation of the Cyber and Information Security Strategy, which is supervised and monitored by the Cybersecurity Steering Committee. Also, the Bank is continuously enhancing the security culture through various awareness and training programs targeting employees and customers.

Security assurance assessments are regularly performed on the Bank's systems and applications to ensure business services are secure and reliable. Furthermore, the Bank conducts independent internal and external audits by reputable vendors to ensure the effectiveness of implemented security controls and compliance with regulatory and international standards such as the SAMA Cybersecurity Framework (CSF), National Cybersecurity Authority (NCA), SARIE, SWIFT and Payment Card Industry and Data Security Standard (PCI DSS). The result of these audit exercises demonstrates ongoing compliance with regulations and security standards and shows that the Bank's security posture is aligned with industry best practice.

The Bank has a 24/7/365 Security Operation Center (SOC) which continuously monitors and responds to cybersecurity threats and attacks in a timely manner. Moreover, SOC is continuously maturing its defense mechanism by using Cyber Threat Intelligence (CTI). As a result of implemented security measures, the Bank has maintained system and data integrity in the face of ongoing cyber-attacks targeting the Middle East and Saudi Arabia - with no cyber and information security related downtime or operational losses incurred during 2022.

Anti-Fraud, Anti-Bribery and Corruption

Financial crimes are considered a significant risk for financial institutions and related Stakeholders. The occurrence of such crimes can have significant negative financial and reputational impacts. Within the Bank, measures against financial crimes are managed by the Anti-Fraud and Anti-Bribery and Corruption departments. These 2 departments continuously enhance the Bank's fraud risk policies and procedures in response to emerging risks.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The Bank recognizes the importance of planning for Business Continuity. An effective Business Continuity Plan (BCP) helps manage serious disruptive incidents in a controlled, timely and structured manner.

There are wide number of threats surrounding every business in the world. Natural and environmental disasters, biological diseases, political issues and economical challenges are all risks threatening the Bank's ability to continue delivering its critical services. Business Continuity Management monitors the development of such threats and ensures the preparedness to manage and recover from any disruptive incident by utilizing regularly validated and tested resources and recovery procedures .

During 2022, the Business Continuity Department (BCD) updated all the information related to business processes across the Bank. The BCD also analyzed how disruptions will impact the bank and set recovery step priorities in terms of a business impact analysis (BIA) report. BCD also enhanced the capacity of Business Continuity sites in line with business unit emergency requirements identified by the SAIB BIA.

Moreover, BCD identified SAIB's technological single point of failure (SPOF) within or between all SAIB's Data Centers by initiating a technology (SPOF) assessment, which demonstrated that SAIB has no dependency on a single source for any critical technological asset.

During 2022, the Bank further strengthened its incident and crisis management capabilities by completing various detailed tests. The Bank's Crisis Management Team tested SAIB's management plan by simulating a crisis relating to partial power loss affecting the city of Riyadh, which showed that the Bank could recover completely.

Further tests were conducted for Business Continuity Plans and the IT Disaster recovery plan, which were successfully completed and affirmed the readiness of disaster recovery data center and business continuity sites to handle critical bank operations.

In addition, the BCD extended its training and awareness efforts to include critical third parties by sharing training materials explaining their obligations and responsibilities to SAIB.
The Bank will continue to comply with the requirements of Internal Audit, SAMA BCM framework and remain compliant with the requirements of ISO 22301.

COMPLIANCE GROUP

The Bank has a responsibility to comply fully with the regulations of Saudi Arabia. Regulation reduces systemic risk and promotes the healthy functioning of an economy in which all Stakeholders prosper. Good governance and compliance supports client and investor confidence in the Bank. The Compliance Group ensures the Bank accords with all applicable laws and regulations issued by local and international regulatory bodies and plays an important role in preserving the integrity and reputation of the Bank. Its main responsibilities are as follows:

- Supporting Senior Management to implement compliance programs and policies
- Embedding the laws and regulations issued by SAMA and other regulatory bodies
- Providing oversight of various compliance functions within the Bank
- Identifying regulatory risks facing the Bank and providing advice to mitigate such risks
- Resolving compliance related issues as they arise
- Preparing period training sessions to keep employees up to date with relevant policies and standards

The Compliance Group also identifies measures for assessing the risk of non-compliance related to the following:

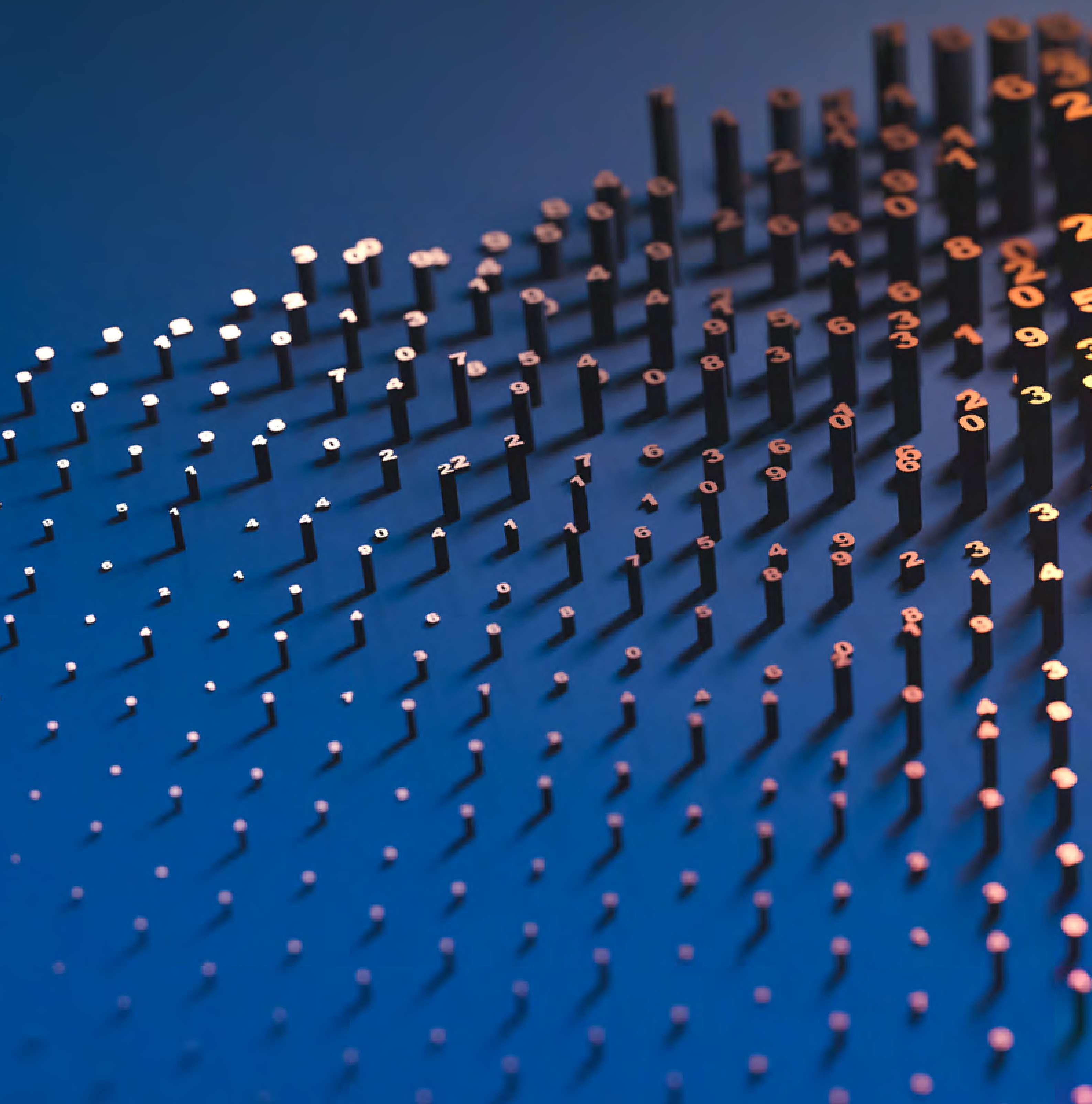
- Bank activities (regulation risks, financial risks, reputation risks and/or strategic risks)
- Products, services, on boarding relationships and/or major updates on current relationships
- Indications of increasing customer complaints, fraud cases, notifications and/or increasing penalties
- Assessment: by designing and helping in implementing controls to protect the Bank from regulatory risks and reputational risks. Compliance is one of the Bank's key success factors in protecting the Bank's reputation and credibility as well as safeguarding Shareholders' and depositors' interests by:
  - Managing regulatory risks and avoiding financial penalties due to violations and/or unmanaged changes to rules and regulations.
  - Reviewing the standard operating and accounting procedures, products, services, forms, contracts and agreements to ensure they are in line with latest laws and regulations governing related business segments.
  - Assessing new laws and regulations and providing guidance on their implementation and advising lines of business on regulatory matters.
  - Ensuring effective controls are in place to protect the Bank from violating applicable rules and regulations.
  - Taking incidents reported through the whistleblowing mechanisms into consideration, doing so in line with the Bank's policies and guidelines

ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING DEPARTMENT

The Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Department is an independent department that maintains oversight of compliance with AML regulations, programs and policies. The department is guided by local and international standards and best practice. Responsibilities of the AML and CTF Department include:

- Monitoring and identifying suspicious transactions, performing investigations, classifying suspicious activities, and reporting them to the General Administration of Financial Investigation
- Reviewing products and services from a regulatory view point using a risk-based approach
- Ensuring that enhanced due diligence is applied in order to mitigate AML risk exposure
- Monitoring and managing high risk accounts and related activities
- Maintaining a sanction system and related controls
- Identifying cases and alerts requiring additional due diligence
- Ensuring cases and alerts requiring due diligence are handled in accordance with defined procedures
- Monitoring and assisting in the resolution of complex issues
- Handling and managing self-supervision unit requests in a timely manner and providing all required documents to SAMA
- Implementing SAMA directives related to deduction and blocking and unblocking of Bank accounts
- Preparing necessary technical reports in a timely manner and providing all required documents to SAMA

Financial Statements 06



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Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of The Saudi Investment Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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 of December 31, 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 ("ISAs") 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current year. 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 key audit 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 The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Expected credit losses over loans and advances
As of December 31, 2022, the gross loans and advances of the Group were Saudi Riyals (SAR) 70,688 million (2021: SAR 59,760 million) against which an allowance for expected credit losses ("ECL") of SAR 1,805 million (2021: SAR 1,963 million) was maintained.
The determination of the allowance for expected credit losses requires management to make significant estimates and apply significant judgements. This has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:
1. Categorisation of loans and advances in Stage 1, 2 and 3 based on the identification of:
(a) exposures with a significant increase in credit risk ("SICR") since their origination; and
(b) individually impaired / default exposures.
In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances ('Lifetime ECL').
The Group has applied additional judgments to identify and estimate the likelihood of borrowers experiencing SICR due to the current economic outlook.
</td><td>
We obtained and updated our understanding of management's process for the assessment of allowance for ECL against loans and advances as required by IFRS 9 Financial Instruments ("IFRS 9), the Group's allowance for ECL policy and the ECL modelling methodology including any key changes made during the year.
We compared the Group's allowance for ECL policy and ECL methodology to the requirements of IFRS 9.
We evaluated the design and implementation and tested the operating effectiveness of the key controls, including relevant IT general and application controls, over:

the ECL modelling process, including governance over the models, its validation during the year, including approval of key assumptions and post model adjustments;
the classification of loans and advances into Stages 1,2 and 3, timely identification of SICR and determination of default or individually impaired exposures;
the IT systems and applications supporting the ECL model; and
the integrity of data inputs into the ECL model.

For a sample of customers, we assessed:

the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information, and also assessed that these were consistent with the ratings used as inputs in the ECL model;
management's computation of ECL; and
management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to, assessment of the financial condition of the borrowers, 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 judgement to reflect all relevant risk factors, that might not have been captured by the ECL model. We considered this as a key audit matter as the application of these judgments and estimates, continues to result in greater estimation uncertainty and associated audit risk around the determination of the allowance for ECL as of December 31, 2022. *Refer to the summary of significant accounting policies note 3(c)(vi) relating to impairment of financial assets, note 2(d)(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 and note 29 which contains the disclosure of impairment against loans and advances, details of credit quality analysis and key assumptions and factors considered in the determination of ECL.*	We assessed the appropriateness of the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio. We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL 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 calculation as at 31 December 2022. Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in post model overlays. We assessed the adequacy of related disclosures in the consolidated financial statements.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments As of December 31, 2022, the positive and negative fair value of derivatives held by the Group, excluding the associated company put option referred to below, amounted to SAR 614 million and SAR 47 million, respectively. The Group has entered into various derivative transactions, including commission rate and cross currency swaps, forward foreign exchange and commodity contracts, commission rate futures and options and currency and commodity options. Swaps, forwards and options derivative contracts are over the counter (OTC) derivatives that are not traded in active markets and hence the valuation of these contracts is subjective as it takes into account a number of assumptions which often involves the exercise of judgement by management and model calibrations, including adjustments to the counterparty's own credit risk. The majority of these derivatives are held for trading. Certain commission rate swaps are categorized as fair value hedges in the consolidated financial statements. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and a hedge accounting impact in the case of hedge ineffectiveness. We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modelling techniques. *Refer to note 3 (f) of the consolidated financial statements for the accounting policy relating to the valuation of derivatives and note 11 which explains the derivative positions and valuation methodology used by the Group.*	We determined if the controls over the valuation of derivatives had been appropriately designed and implemented. We selected a sample of derivative financial instruments and: • Involved our specialists to assist us in performing an independent valuation of the derivatives sample and compared the result with management's valuation; • Assessed the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; • Assessed the key inputs to the derivative valuation models; • Assessed the hedge effectiveness assessment performed by the Group and the appropriateness of related hedge accounting; and • We assessed the adequecy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs that are endorsed in the Kingdom of Saudi Arabia.

Independent Auditors’ Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of associate company put option	
The Group’s derivatives as of December 31, 2022, includes a put option with a positive fair value of SAR 99 million (2021: SAR 164 million). This put option is embedded within the agreement (“the Agreement”) with the other shareholder in an associated company and gives the Group an option to sell its share in the associated company to the other shareholder based on a strike price determined in accordance with the Agreement. In accordance with the Group’s accounting policy, this put option is segregated from the Agreement and is measured at its fair value. The Group uses an option pricing model to fair value the put option, which requires certain inputs which are not observable in the current market. These inputs include historical results of the associate company and other inputs which require management’s judgment, including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. This is considered as a key audit matter as the valuation of this put option, as mentioned above, requires management to apply significant judgments and make significant estimates. *Refer to the following notes to the consolidated financial statements: summary of significant accounting policies note 3(f) which explains the accounting policy for derivative financial instruments and hedge accounting, note 2(d)(ii) which explains critical judgments and estimates for fair value measurement, note 11 which explains the put option positions and note 30 which explains the fair values of financial assets and liabilities.*	We determined if the controls over the valuation of the associate company put option had been appropriately designed and implemented. We inspected the Agreement to obtain an understanding of the principal terms of the put option. We considered the put option valuation performed by management and assessed the methodology and key assumptions used by management. We involved our valuation experts to assess the valuation of the associated company put option determined by management. We assessed the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs that are endorsed in the Kingdom of Saudi Arabia.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

Other Information

The Board of Directors is responsible for the other information in the Group's annual report. The other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management 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 the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management .

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company) (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of the 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 requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Bylaws in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended December 31, 2022.

Ernst & Young Professional Services

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License No. 366

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Waleed bin Moh'd Sobahi
Certified Public Accountant
License No. 378

13 Sha'ban 1444 H
5 March 2023

The Saudi Investment Bank

Consolidated statement of financial position

AS OF DECEMBER 31, 2022 AND 2021

	Notes	2022 SAR '000	2021 SAR '000
ASSETS			
Cash and balances with SAMA	4a	6,401,258	5,932,948
Due from banks and other financial institutions, net	5a,30c	1,304,701	5,445,778
Investments, net	6a	28,179,959	28,841,751
Positive fair values of derivatives, net	11c,30a	713,003	663,971
Loans and advances, net	7a,30c	68,883,198	57,798,351
Investments in associates	8b	922,985	883,700
Other real estate		451,981	451,981
Property, equipment, and right of use assets, net	9a	1,212,374	999,548
Intangible assets, net	9b	428,342	369,279
Other assets, net	10a	572,811	231,997
Total assets		**109,070,612**	**101,619,304**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions, net	12a,30c	20,892,470	21,792,608
Customers' deposits	13a,30c	69,578,526	61,484,997
Negative fair values of derivatives, net	11c,30a	47,045	230,147
Other liabilities	14a	1,762,875	1,810,077
Total liabilities		**92,280,916**	**85,317,829**
Equity			
Share capital	15	10,000,000	7,500,000
Statutory reserve	16	3,376,000	2,999,000
Other reserves	6f	(1,207,944)	562,063
Retained earnings		956,640	715,412
Proposed dividend	17	450,000	525,000
Proposed bonus shares issuance	17	-	2,500,000
Shareholders' equity		**13,574,696**	**14,801,475**
Tier I Sukuk	35	3,215,000	1,500,000
Total equity		16,789,696	**16,301,475**
Total liabilities and equity		**109,070,612**	**101,619,304**

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

The Saudi Investment Bank

Consolidated statement of income

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	2022 SAR '000	2021 SAR '000
Special commission income	19	4,067,318	2,819,992
Special commission expense	19	1,235,038	467,594
Net special commission income		**2,832,280**	**2,352,398**
Fee income from banking services, net	20	295,470	326,423
Exchange income, net		196,478	161,725
Unrealized loss on FVTPL financial instruments, net		(71,063)	(182,991)
Realized gain on FVTPL financial instruments, net		1,333	6,867
Gains on disposals of FVOCI debt securities, net	21	10,791	74,106
Other income		7	14,520
Total operating income		**3,265,296**	**2,753,048**
Salaries and employee-related expenses	22a	747,237	687,382
Rent and premises related expenses		67,504	69,581
Depreciation and amortization	9	154,986	150,949
Other general and administrative expenses	37b	462,891	361,611
Operating expenses before provisions for credit and other losses		1,432,618	1,269,523
Provisions for credit and other losses	37a	191,569	271,066
Total operating expenses		**1,624,187**	**1,540,589**
Operating income		1,641,109	1,212,459
Share in earnings of associates	8b	70,856	54,808
Income before provisions for Zakat		1,711,965	1,267,267
Provisions for Zakat	24a	204,110	205,611
Net income		**1,507,855**	**1,061,656**
Basic and diluted earnings per share (expressed in SAR per share)	23b	1.37	0.99

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

Consolidated Statement of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	2022 SAR'000	2021 SAR'000
Net income		1,507,855	**1,061,656**
Other comprehensive income			
Items that cannot be reclassified to the consolidated statement of income in subsequent periods:			
Net change in fair value of equity investments held at fair value through other comprehensive income		(179,370)	(97,876)
Net change in present value of defined benefit obligations due to change in actuarial assumptions		16,547	1,785
Items that can be reclassified to the consolidated statement of income in subsequent periods:			
Net change in fair value of debt securities held at fair value through other comprehensive income		(1,593,549)	(60,944)
Fair value gains transferred to the consolidated statement of income on disposals of FVOCI debt securities, net	21	(10,791)	(74,106)
Share in other comprehensive gain of associates	8b	-	1,161
Total other comprehensive loss		(1,767,163)	**(229,980)**
Total comprehensive (loss) income		(259,308)	**831,676**

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

Consolidated statement of changes in equity

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2022 SAR'000	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Proposed bonus shares issuance	Sharehold-ers' equity	Tier I Sukuk	Total equity
Balances at the beginning of the year		**7,500,000**	**2,999,000**	**562,063**	**715,412**	**525,000**	**2,500,000**	**14,801,475**	**1,500,000**	**16,301,475**
Net income		-	-	-	1,507,855	-	-	1,507,855	-	1,507,855
Total other comprehensive loss		-	-	(1,767,163)	-	-	-	(1,767,163)	-	(1,767,163)
Total comprehensive loss		**-**	**-**	**(1,767,163)**	**1,507,855**	**-**	**-**	**(259,308)**	**-**	**(259,308)**
Dividends paid	17	-	-	-	(300,000)	(525,000)	-	(825,000)	-	(825,000)
Tier I Sukuk costs		-	-	-	(142,471)	-	-	(142,471)	-	(142,471)
Realized gain on disposal of FVOCI equity securities		-	-	(2,844)	2,844	-	-	-	-	-
Increase in share capital through issuance of bonus shares	17	2,500,000	-	-	-	-	(2,500,000)	-	-	-
Repayment of Tier I Sukuk	35	-	-	-	-	-	-	-	(285,000)	(285,000)
Issuance of Tier I Sukuk	35	-	-	-	-	-	-	-	2,000,000	2,000,000
Transfer to statutory reserve	16	-	377,000	-	(377,000)	-	-	-	-	-
Proposed dividend	17	-	-	-	(450,000)	450,000	-	-	-	-
Balances at the end of the year		**10,000,000**	**3,376,000**	**(1,207,944)**	**956,640**	**450,000**	**-**	**13,574,696**	**3,215,000**	**16,789,696**

2021 (SAR '000)	Notes	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Proposed dividend	Proposed bonus shares issuances	Sharehold-ers' equity	Tier I Sukuk	Total equity
Balances at the beginning of the year		**7,500,000**	**5,233,000**	**(1,041,067)**	**792,043**	**847,057**	-	**-**	**13,331,033**	**2,000,000**	15,331,033
Net income		-	-	-	-	1,061,656	-	-	1,061,656	-	1,061,656
Total other comprehensive loss		-	-	-	(229,980)	-	**-**	-	(229,980)	-	(229,980)
Total comprehensive income		**-**	**-**	**-**	**(229,980)**	**1,061,656**	-	**-**	**831,676**	**-**	831,676
Dividends paid	17	-	-	-	-	(270,002)	-	-	(270,002)	-	(270,002)
Tier I Sukuk costs		-	-	-	-	(110,699)	-	-	(110,699)	-	(110,699)
Repayment of Tier I Sukuk	35	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Sale of treasury shares and related costs	36	-	-	1,041,067	-	(21,600)	-	-	1,019,467	-	1,019,467
Transfer to statutory reserve	16	-	266,000	-	-	(266,000)	-	-	-	-	-
Proposed bonus shares issuance	17	-	(2,500,000)	-	-	-	-	2,500,000	-	-	-
Proposed dividend	17					(525,000)	525,000	-	-	-	-
Balances at the end of the year		**7,500,000**	**2,999,000**	**-**	**562,063**	**715,412**	**525,000**	**2,500,000**	**14,801,475**	**1,500,000**	**16,301,475**

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

The Saudi Investment Bank

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	2022 SAR'000	2021 SAR'000
OPERATING ACTIVITIES			
Net income		**1,507,855**	**1,061,656**
Adjustments to reconcile net income to net cash (used in) provided from operating activities			
Net accretion of discounts and net amortization of premiums on investments, net		(6,706)	20,644
Net change in accrued special commission income		(385,520)	57,440
Net change in accrued special commission expense		417,577	81,153
Net change in deferred loan fees		14,093	7,287
Gains on disposals of FVOCI debt securities, net	21	(10,791)	(74,106)
Unrealized fair value through profit and loss		71,063	182,991
Realized fair value through profit and loss		(1,333)	(6,867)
Depreciation and amortization		154,986	150,949
Gain on sales of other real estate, property and equipment		(7)	(14,520)
Net effect of Commission free deposits from SAMA and SAMA Private Sector Financing Support Program		(116,510)	(120,292)
Provisions for credit and other losses	37a	191,569	271,066
Share in earnings of associates	8b	(70,856)	(54,808)
		1,765,420	**1,562,593**
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(202,874)	(121,906)
Due from banks and other financial institutions maturing after three months from acquisition date		17,544	(249)
Loans and advances		(9,894,116)	(3,054,129)
Positive fair values of derivatives, net		(480,985)	352,271
Other real estate		-	(36,803)
Other assets		(307,395)	(28,563)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions, net		(2,027,872)	1,716,701
Customers' deposits		7,817,005	1,404,787
Negative fair values of derivatives, net		329,593	(97,016)
Other liabilities		274,043	146,416
		(2,709,637)	**1,844,102**
Zakat payments		(349,879)	(378,103)
Net cash (used in) provided from operating activities		**(3,059,516)**	**1,465,999**
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments		4,191,801	7,367,111
Purchases of investments		(5,340,526)	(6,036,013)
Dividends received from associates	8b	31,571	18,013
Acquisitions of property, equipment, and intangibles		(453,381)	(181,790)
Proceeds from sales of property, equipment, and intangibles		-	33
Net cash (used in) provided from investing activities		**(1,570,535)**	**1,167,354**
FINANCING ACTIVITIES			
Sale of Treasury shares, net	36	-	1,019,467
Repayment of Tier I Sukuk	35	(285,000)	(500,000)
Issuance of Tier I Sukuk	35	2,000,000	-
Dividends paid	17	(825,000)	(270,002)
Repayment of Term loan		-	(2,000,000)
Tier I Sukuk costs		(142,471)	(110,699)
Net cash provided from (used in) financing activities		**747,529**	**(1,861,234)**
Net (decrease) increase in cash and cash equivalents		**(3,882,522)**	**772,119**
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	4b	8,038,903	7,266,784
Net (decrease) increase in cash and cash equivalents		(3,882,522)	772,119
Cash and cash equivalents at the end of the year	4b	4,156,381	8,038,903
Supplemental special commission information			
Special commission received		3,713,291	2,870,084
Special commission paid		955,214	494,313
Supplemental non-cash information			
Total other comprehensive loss		(1,767,163)	(229,980)

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

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia ("KSA"). The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 51 branches (2021: 51 branches) in KSA. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank
Head Office
P. O. Box 3533
Riyadh 11481, KSA

The Bank offers a full range of commercial and retail banking services. The Bank also offers Shariah compliant (non-interest based) banking products and services, which are approved and supervised by an independent Shariah Board established by the Bank.

These consolidated financial statements include the financial statements of the Bank and the financial statements of the following subsidiaries (collectively referred to as the "Group" in these consolidated financial statements):

a. "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a Saudi closed joint stock company, which is registered in KSA under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory and custody services relating to financial securities;
b. "Saudi Investment Real Estate Company", a limited liability company, which is registered in KSA under commercial registration No. 1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions;
c. "SAIB Markets Limited Company", a Cayman Islands limited liability company, registered in the Cayman Islands on July 18, 2017, and is 100% owned by the Bank. The objective of the Company is to conduct derivatives and repurchase activities on behalf of the Bank.

References to the Bank hereafter in these consolidated financial statements refer to disclosures that are relevant only to the Bank and not collectively to the Group.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements as of and for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"); and are in compliance with the provisions of the Banking Control Law, the Regulations for Companies in KSA, and By-Laws of the Bank.

b) Basis of measurement and presentation

These consolidated financial statements are prepared under the historical cost convention except for the following items in the consolidated statement of financial position:

2. Basis of preparation - continued

b) Basis of measurement and presentation

These 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 ("FVTPL") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged; and
- Defined benefit obligations are recognized at the present value of future obligations using the Projected Unit Credit Method.

The statement of financial position is stated broadly in the order of liquidity.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the Group's functional currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates and assumptions 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.

Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions, or exercised judgements are as follows:

- Classification of financial assets – assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ("SPPI") on the principal amount outstanding (note 3c);
- Impairment losses on financial assets (note 2di);
- Fair value measurement (note 2dii);
- Impairment of non-financial assets (note 2diii);
- Determination of control over investment funds (note 2div);
- Determination of significant influence over investees, including assessment of potential voting rights (note 2dv);
- Going concern (note 2dvi);
- Lease liabilities – determination of lease terms and estimation of the Incremental Borrowing Rate ("IBR") (note 2dvii);
- Depreciation and amortization (note 2dviii);
- Provisions for liabilities and charges (note 2dix);
- Employee benefit obligation – key actuarial assumptions (note 2dx);
- Government grants (note 3h); and
- Classification of Tier I Sukuk (note 2dxi).

2. Basis of preparation - continued

i) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 - Financial Instruments across all categories of financial assets requires judgement, and in particular, the estimation of the amount and timing of future cash flows, 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, and the changes to these factors can result in different levels of allowances.

The Group's Expected Credit Loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probability of Defaults ("PDs") to individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk ("SICR") where 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, such as Gross Domestic Product ("GDP"), unemployment levels and collateral values, and the effect on PDs, Exposures at Default ("EADs") and Loss Given Defaults ("LGDs"); and
- Selection of forward-looking macroeconomic scenarios and their probability weightages, to derive the economic inputs into the ECL models.

ii) Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each consolidated statement of financial position date, except as disclosed in note 30c.

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

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

The principal or the most advantageous market must be accessible to or by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, while maximizing the use of relevant observable market inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated statement of financial position are categorized within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1. Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date (i.e., without modification or proxy);

Level 2. Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

2. Basis of preparation - continued

Level 3. Valuation techniques for which any significant input is not based on observable market data.

For assets and liabilities that are recognized in the consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for any non-recurring measurement, such as assets held for distribution in discontinued operations.

External subject matter experts are involved from time to time for the valuation of certain assets. Involvement of external subject matter experts is decided upon annually. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

At each financial reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics, and the related risks of the asset or liability, and the level of the fair value hierarchy as explained above.

iii) Impairment of non-financial assets

The carrying amount of non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. 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. The fair value less costs to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

iv) Determination of control over investment funds

The control indicators set out in note 3b are subject to management's judgement. The Group also acts as Fund Manager to several investment funds. Determining whether the Group controls individual investment funds usually focuses on the assessment of the aggregate economic interests of the Group in an individual fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated the financial statements of these funds.

2. Basis of preparation - continued

v) Determination of significant influence over investees

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Management uses judgement when determining whether the Group has significant influence over investees. Management also considers the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities.

In assessing whether potential voting rights contribute to significant influence, the Group examines all facts and circumstances (including the terms of exercise of the potential voting rights, the probable time frame to exercise the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intention of management and the financial ability to exercise or convert.

The key judgments applied in determination of significant influence over investees are set out in note 8b.

vi) Going concern

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, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on the going concern basis.

vii) 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.

viii) Depreciation and amortization

Management uses judgement when determining the periods used for purposes of calculating depreciation and amortization for property, equipment, ROU leased assets and Information Technology intangible assets. The judgement includes estimates of any residual values, the estimated periods over which future economic benefits will flow to the Group, and the choice of depreciation and amortization methods.

ix) Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management makes judgments in assigning the risk that might exist in such claims. It also sets appropriate provisions against probable losses. The claims are recorded or disclosed, as appropriate, in the consolidated financial statements based on the best estimate of the amount required to settle the claim.

x) Employee Benefit obligation

The Group operates an end of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability for the plan is estimated in accordance with International Accounting Standard ("IAS") 19 – Employee Benefits as endorsed in KSA, by a qualified actuary using a projected unit credit method.

Accruals are made in accordance with actuarial valuation based on various actuarial assumptions while the benefit payments are discharged as and when the benefit payments are due. The key actuarial assumptions used to estimate the plan liability are disclosed in note 34b.

xi) Classification of Tier I Sukuk

The 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 dates (Perpetual Sukuk) and not obliging the Group for payment of special commission upon the occurrence of a non-

2. Basis of preparation - continued

payment event or non-payment election, whereby the Group may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such a non-payment event or non-payment election represents that the remedies available to the Sukukholders are limited in number and scope and are 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 as "Tier I Sukuk costs".

3. Summary of 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 annual consolidated financial statements for the year ended December 31, 2021 except for the below standards, interpretations, and amendments that became applicable for annual reporting periods beginning on or after January 1, 2022:

Standard, interpretation, 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 International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after April 1, 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 an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognize such sale proceeds and related costs in the consolidated statement of income. Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets specify which costs an entity 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 January 1, 2022.

The Group has assessed that these amendments have no significant impact on the consolidated financial statements.

3. Summary of significant accounting policies - continued

b) Basis of consolidation

These consolidated financial statements are comprised of the financial statements of the Bank and its subsidiaries as identified in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Changes are made to the accounting policies of the subsidiaries when necessary to align with the accounting policies of the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed, 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 the subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee. The financial statements of any such structured entities are consolidated from the date the Group obtains control and until the date when the Group ceases to control the investee.

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 a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an 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 summarized above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group obtains control until the date the Group ceases to control the subsidiary.

3. Summary of significant accounting policies - continued

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of components previously recognized in Other Comprehensive Income ("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 and any income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

c) Financial assets and financial liabilities

i) Recognition and Initial measurement
A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification of financial assets
On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL.

Financial Assets at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

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

Financial Assets at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Special commission income and foreign exchange gains and losses are recognized in the consolidated statement of income.

Equity Investments
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.

3. Summary of significant accounting policies - continued

Financial Assets at FVTPL
All other financial assets are classified as measured at FVTPL.

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 at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual special commission revenue, maintaining a particular special commission 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 the 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 also based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized 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 in the future.

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

Assessments whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is the fair value of the financial asset on initial recognition. "Special commission" is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with a profit margin.

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

3. Summary of significant accounting policies - continued

- 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 special commission rates.

iii) Classification of financial liabilities

The Group classifies its financial liabilities at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the expected special commission rate.

iv) Derecognition

Financial assets

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

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

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

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

In certain transactions, the Group may retain the obligation to service a transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. However, 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 Group may securitize various loans and advances to customers or investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and the Bank transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in the consolidated statement of income.

Any cumulative gain / loss recognized in OCI in respect of equity investment securities designated at FVOCI is not recognized in the 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 Bank is recognized as a separate asset or liability.

3. Summary of significant accounting policies - continued

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

v) Modifications of financial assets and financial liabilities
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the 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. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as an adjustment to special commission income.

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 the consolidated statement of income.

vi) Impairment
The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Due from banks and other financial institutions;
- Financial assets that are debt securities;
- Loans and advances, including lease receivables;
- Loan commitments issued;
- Financial guarantee contracts issued; and
- Other financial assets.

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured equal to a 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. Summary of significant accounting policies - continued

Measurement of ECL
ECL is a probability-weighted estimate of credit losses. ECL 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 entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made to determine whether the financial asset should be derecognized and ECL is 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; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment as to whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in bond yields;
- Rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and

3. Summary of significant accounting policies - continued

- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of the allowance for ECL in the consolidated statement of financial position
Allowances for credit losses 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;
- Loan commitments and financial guarantee contracts: as an allowance in other liabilities;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as an allowance in other liabilities; and
- For debt securities measured at FVOCI, no loss allowance is recognized against financial assets because the carrying amount of these assets is considered fair value. However, the loss allowance is disclosed and is included in OCI.

vii) Write-offs

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

viii) Offsetting financial instruments

Financial assets and 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, 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.

ix) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. In the ordinary course of business, the Group provides financial guarantees, consisting of letters of credit, guarantees, and acceptances.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments, the Group recognizes loss allowances.

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

d) Investments in associates

Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Bank has significant influence (but not control) over financial and operating matters and which is neither a subsidiary nor a joint venture.

3. Summary of significant accounting policies - continued

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Share in earnings of associates includes the changes in the Group's share of the net assets of the associates. The Group's share of its associates post-acquisition income or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in other comprehensive income is recognized in OCI included in shareholders' equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Unrealized gains and losses on transactions between the Bank and its associates are eliminated to the extent of the Group's interest in the associates.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains on transactions are eliminated to the extent of the Group's interest in the investees. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of earnings in an associate is shown on the face of the consolidated statement of income, which represents the net earnings attributable to equity holders of an associate i.e. income after Zakat and Income tax and non-controlling interests.

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.

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 impairment loss in the consolidated statement of income.

When the ownership interest in an associate is reduced but significant influence is retained, the difference between the carrying amount of associate and the consideration received is recognized in the consolidated statement of income. Proportionate share of the amounts previously recognized in OCI are reclassified to consolidated statement of income, where appropriate upon reduction of ownership interest in an associate.

e) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date the asset is delivered to the counterparty. When settlement date accounting is applied, the Bank accounts for any change in the fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

f) Derivative financial instruments and hedge accounting

As permitted by IFRS 9 – Financial Instruments, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 – Financial Instruments: Recognition and Measurement.

3. Summary of significant accounting policies - continued

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

The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separate embedded derivatives are measured at fair value, with all changes in fair value recognized in the consolidated statement of income unless they form part of qualifying cash flow or net investment hedging relationship in which case all changes in fair value are recognized in the consolidated statement of comprehensive income.

iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rates, foreign currency, and credit risks, including exposures arising from highly probable forecasted transactions and firm commitments. In order to manage a particular risk, the Bank 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 recognized asset or liability, (or assets or liabilities in the case of portfolio hedging), or an unrecognized 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 are either attributable to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged risk, 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 the 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.

3. Summary of significant accounting policies - continued

At each hedge effectiveness assessment / reporting date, each 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, 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 if significant is recognized in the consolidated statement of income. For situations where the hedged item is a forecasted 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 consolidated statement of income.

Fair value hedges
When a derivative is designated as a hedging instrument in the hedge of a change in fair value of a recognized asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognized immediately in the consolidated statement of income together with the change in the fair value of the attributable hedged risk in special commission income.

For hedged items measured at amortized cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

Cash flow hedges
When a derivative is designated and qualified as a hedging instrument in the hedge of a variability of cash flows attributable to a particular risk associated with a recognized asset or a liability or a highly probable forecasted transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in OCI and the ineffective portion, if any, is recognized in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in OCI, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it reclassifies into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognized, the associated gains or losses that had previously been recognized 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 expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the 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 recognized in other comprehensive income from the period when the hedge was effective is transferred from shareholders' equity to the consolidated statement of income when the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss previously recognized in other comprehensive income is transferred immediately to the consolidated statement of income.

3. Summary of significant accounting policies - continued

g) Foreign currencies

Transactions in foreign currencies are translated into SAR at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at the exchange rates prevailing at the consolidated statement of financial position date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for effective interest rates and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income, with the exception of differences of foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income except for differences arising on the retranslation of equity instruments or when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges to the extent hedges are effective. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment on investment securities available for sale, unless the non-monetary items have an effective hedging strategy.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of 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.

h) Government grants

Grants received from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. The benefit of a SAMA deposit at a below-market commission rate is treated as a government grant related to income. Below-market rate deposits are recognized and measured in accordance with IFRS 9 – Financial Instruments and included in due to banks and other financial institutions.

The benefit of the below-market rate of commission is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received and is presented as a discount to deposits from SAMA.

The benefit is accounted for in accordance with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. The grant income is only recognized when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts. Government grant income is recognized in special commission income on a systematic basis to the extent of related costs for which the grant is intended to compensate, with the remaining discount deferred and included in other liabilities.

i) Share capital

Ordinary shares are classified as Shareholders' equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Group purchases own equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Shareholders of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Shareholders of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from Shareholders' equity.

3. Summary of significant accounting policies - continued

j) Revenue / expense recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

i) Special commission income and expense

Special commission income and expense for all special commission earning / bearing financial instruments are recognized in the consolidated statement of income on the effective special commission rate basis. The effective special commission rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective special commission rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of a financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective special commission rate and the change in carrying amount is recorded as special commission income or expense.

If the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognized on the effective special commission rate basis, based on the asset's carrying value net of impairment provisions.

The calculation of the effective special commission rate considers all contractual terms of the financial instruments (prepayment, options etc.) and includes all fees paid or transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Measurement of amortized cost and special commission income

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective special commission rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, special commission income is calculated by applying the credit-adjusted effective special commission rate to the amortized cost of the asset. The calculation of special commission income does not revert to a gross basis, even if the credit risk of the asset improves.

Rendering of services

The Group provides various services to its customers. These services are either rendered separately or bundled together with the rendering of other services.

Revenue from rendering of services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, are recognized at the point when services are rendered i.e. when performance obligation is satisfied.

3. Summary of significant accounting policies - continued

ii) Exchange income / loss

Exchange income / loss is recognized when earned / incurred and in accordance with the principles included in note 3g.

iii) Fee income from banking services

Fees that are considered an integral to the effective special commission rate are deferred and included in the measurement of the relevant assets.

Fees from banking services that are not an integral component of the effective special commission rate calculation on a financial asset or liability are generally recognized on an accrual basis when the related service is provided.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis.

Fees received on asset management, custody 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.

Performance linked fees or fee components are recognized when the performance criteria is fulfilled.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred, together with the investment costs, and recognized as an adjustment to the effective special commission rate on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, and are recognized as expenses as the services are received or the transaction is completed.

iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

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.

vi) 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.

3. Summary of significant accounting policies - continued

k) 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 borrowing 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 special commission 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, net. The difference between the purchase and resale price is treated as special commission income and recognized over the life of the reverse repurchase agreement on an effective yield basis.

l) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that non-financial assets may be impaired. If any indication exists, or when periodic 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 cash-generating unit's ("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 an asset's fair value less costs to sell, an appropriate valuation model is used. These model calculations are corroborated by valuation multiples, or other available fair value indicators.

m) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate is considered as held for sale and is initially stated at the lower of net realizable value of the loans and advances and the current fair value of the related properties, less any costs to sell, if material. No depreciation is charged on such real estate.

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 gain in the fair value less costs to sell these assets to the extent this does not exceed the cumulative write down is recognized together with any gain/ loss on disposal in the consolidated statement of income.

n) Property, equipment, and Intangible assets

Property, equipment, and Intangible assets are stated at cost and presented net of accumulated depreciation and amortization. Land is not depreciated. Goodwill is not amortized. The costs of other property, equipment, and Intangible assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 30 years
Leasehold improvements	Over the lease period or 5 years, whichever is shorter
Furniture, equipment and vehicles	4 to 5 years
Information technology intangible assets	8 years

3. Summary of significant accounting policies - continued

The assets' residual values, useful lives, and depreciation or amortization methods are reviewed and adjusted, if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the 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.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

o) Leases

At the inception of a contract, the Group assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Right-of-Use (ROU) leased assets

The Group recognizes an ROU leased asset and a lease liability at the lease commencement date. The ROU leased asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU leased asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of ROU leased asset or the end of the lease term. The estimated useful lives of ROU leased assets are determined on the same basis as those of property and equipment. In addition, the ROU leased asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3. Summary of significant accounting policies - continued

A lease liability is measured at amortized cost using the effective special commission rate method increasing the carrying amount to reflect special commission on the lease liability and reducing the carrying amount to reflect the lease payments made including prepayments.

The lease liability 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, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in consolidated statement of income if the carrying amount of ROU asset has been reduced to zero.

The Group presents ROU leased assets in 'Property and equipment' and lease liabilities in 'Other liabilities' in the consolidated statement of financial position.

Leases of low-value assets

The Group has elected not to recognize ROU leased assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

p) Provisions

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

q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash and balances with SAMA excluding statutory deposits, net, and due from banks and other financial institutions maturing within three months from the date of acquisition which are also subject to insignificant risk of changes in their fair value.

r) Zakat and Value Added tax

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provisions for Zakat are charged to the consolidated statement of income.

Management periodically evaluates positions taken in Zakat returns with respect to situations in which applicable Zakat regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the ZATCA. Adjustments arising from final assessments are recorded in the period in which such assessments are made.

Since Zakat is not accounted for similar to Income tax, no deferred Zakat is calculated.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 addresses the accounting for Income tax when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether uncertain tax treatments are considered separately;
- The assumptions about the examination of tax treatments by taxation authorities;
- How taxable profit, tax bases, unused tax losses, unused tax credits and tax rates are determined; and
- How changes in facts and circumstances are considered.

3. Summary of significant accounting policies - continued

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed.

The Group applies judgement in identifying uncertainties over Income tax treatments. Upon adoption of the Interpretation, the Group has considered whether it has any uncertain tax positions including transfer pricing. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the ZATCA. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Value Added tax ("VAT")

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

s) Short-term employees' benefits and Employee end of service benefit plan

Short-term employees' 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 the 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.

The Group operates an end of service benefit plan for its employees based on prevailing Saudi Labor laws. Accruals are made in accordance with actuarial valuations using a projected unit credit method while the benefit payments are discharged as and when the benefit payments are due.

t) Asset management services

The Group offers asset management services to its customers, which include management of investment funds in consultation with professional investment advisors. The Group's share of these funds is included in investments and fees earned are included in fee income from banking services, net. The Group's share of investment in these funds is included in the FVTPL investments.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

u) Non-interest based banking products

In addition to conventional banking, the Group offers to its customers certain non-interest based banking products, which are approved by its Shariah Board. High level definitions of non-interest based products include:

- Murabaha - an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.
- Tawaruq – a form of Murabaha transaction where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.
- Istisna'a – an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.
- Ijarah – an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

All non-special interest based banking products are accounted for in conformity with the accounting policies described in these consolidated financial statements.

4. Cash and balances with SAMA and cash and cash equivalents

a) Cash and balances with SAMA as of December 31, 2022 and 2021 are summarized as follows:

	2022 SAR'000	2021 SAR'000
Cash on hand	721,189	754,291
Reverse repurchase agreements	2,276,000	2,290,000
Other balances	(147,260)	(459,798)
Cash and balances with SAMA excluding statutory deposit (note 4b)	**2,849,929**	**2,584,493**
Statutory deposit	3,551,329	3,348,455
Cash and balances with SAMA	**6,401,258**	**5,932,948**

In accordance with the Banking Control Law and regulations issued by the Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its average demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank's day to day operations and therefore do not form part of cash and cash equivalents.

b) Cash and cash equivalents, included in the consolidated statement of cash flows, as of December 31, 2022 and 2021 are comprised of the following:

	2022 SAR'000	2021 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4a)	2,849,929	2,584,493
Due from banks and other financial institutions maturing within three months from the date of acquisition	1,306,452	5,454,410
Cash and cash equivalents	**4,156,381**	**8,038,903**

5. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions, net as of December 31, 2022 and 2021 are summarized as follows:

	2022 SAR'000	2021 SAR'000
Current accounts	1,109,990	2,360,185
Money market placements	196,462	3,094,225
Total due from banks and other financial institutions	**1,306,452**	**5,454,410**
Allowance for credit losses (note 5b)	(1,751)	(8,632)
Due from banks and other financial institutions, net	**1,304,701**	**5,445,778**

5. Due from banks and other financial institutions, net - continued

The credit quality of due from banks and other financial institutions is managed using data from reputable external credit ratings agencies. The credit quality of due from banks and other financial institutions is disclosed in note 29.

b) The movement of the allowance for credit losses, for due from banks and other financial institutions, for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balances at the beginning of the year	8,632	3,202
(Reversals) / Provisions for credit losses	(6,881)	5,430
Balances at the end of the year	**1,751**	**8,632**

6. Investments, net

a) Investments, net as of December 31, 2022 and 2021 are classified as follows:

	2022 SAR'000	2021 SAR'000
Held at amortized cost – debt securities	6,226,668	-
Allowance for credit losses	(2,826)	-
Held at amortized cost – debt securities, net	**6,223,842**	**-**
FVOCI – debt securities	21,765,769	28,343,072
FVOCI – equity securities	176,613	356,023
FVTPL	13,735	142,656
Investments, net	**28,179,959**	**28,841,751**

6. Investments, net - continued

b) Investments, net as of December 31, 2022 and 2021 by type of securities are summarized as follows:

	2022 SAR'000			2021 SAR'000		
	Domestic	International	Total	Domestic	International	Total
Investments - FVOCI						
Fixed rate debt securities	16,063,799	4,710,587	20,774,386	20,115,515	7,205,367	27,320,882
Bonds	6,831,775	3,931,578	10,763,353	7,826,294	6,191,599	14,017,893
Sukuk	9,232,024	779,009	10,011,033	12,289,221	1,013,768	13,302,989
Floating rate debt securities	819,893	171,490	991,383	848,631	173,559	1,022,190
Bonds	-	171,490	171,490	-	173,559	173,559
Sukuk	819,893	-	819,893	848,631	-	848,631
Total debt securities	16,883,692	4,882,077	21,765,769	20,964,146	7,378,926	28,343,072
Equities	176,613	-	176,613	347,384	8,639	356,023
Investments – FVOCI	17,060,305	4,882,077	21,942,382	21,311,530	7,387,565	28,699,095
Investments – FVTPL						
Mutual funds	10,034	-	10,034	128,474	-	128,474
Other securities	-	3,701	3,701	-	14,182	14,182
Investments – FVTPL	10,034	3,701	13,735	128,474	14,182	142,656
Investments – amortized cost, net						
Fixed rate debt securities	2,202,521	3,961,229	6,163,750	-	-	-
Bonds	1,057,889	3,774,353	4,832,242	-	-	-
Sukuk	1,144,632	186,876	1,331,508	-	-	-
Floating rate debt securities	50,977	9,115	60,092	-	-	-
Bonds	-	9,115	9,115	-	-	-
Sukuk	50,977	-	50,977	-	-	-
Investments – amortized cost	2,253,498	3,970,344	6,223,842	-	-	-
Investments, net	19,323,837	8,856,122	28,179,959	21,440,004	7,401,747	28,841,751

The Group holds strategic investments in equity securities totaling SAR 176.6 million as of December 31, 2022 (2021: SAR 347.3 million) including the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, the Saudi Credit Bureau ("SIMAH"), and the Saudi Company for Registration of Finance Lease Contracts.

Fixed rate bonds include investments in SAMA treasury bills totaling SAR 153.6 million as of December 31, 2022 (2021: NIL). These are valued through quoted prices in an active market.

6. Investments, net - continued

c) The composition of Investments, net as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000			2021 SAR'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments - FVOCI						
Fixed rate debt securities	20,404,966	369,420	20,774,386	26,640,784	680,098	27,320,882
Bonds	10,763,353	-	10,763,353	14,017,893	-	14,017,893
Sukuk	9,641,613	369,420	10,011,033	12,622,891	680,098	13,302,989
Floating rate debt securities	171,490	819,893	991,383	173,559	848,631	1,022,190
Bonds	171,490	-	171,490	173,559	-	173,559
Sukuk	-	819,893	819,893	-	848,631	848,631
Total debt securities	20,576,456	1,189,313	21,765,769	26,814,343	1,528,729	28,343,072
Equities	171,970	4,643	176,613	342,741	13,282	356,023
Investments – FVOCI	20,748,426	1,193,956	21,942,382	27,157,084	1,542,011	28,699,095
Investments – FVTPL						
Mutual funds	-	10,034	10,034	117,776	10,698	128,474
Other securities	-	3,701	3,701	-	14,182	14,182
Investments – FVTPL	-	13,735	13,735	117,776	24,880	142,656
Investments – amortized cost, net						
Fixed rate debt securities	5,760,456	403,294	6,163,750	-	-	-
Bonds	4,832,242	-	4,832,242	-	-	-
Sukuk	928,214	403,294	1,331,508	-	-	-
Floating rate debt securities	9,115	50,977	60,092	-	-	-
Bonds	9,115	-	9,115	-	-	-
Sukuk	-	50,977	50,977	-	-	-
Investments – amortized cost	**5,769,571**	**454,271**	**6,223,842**	**-**	**-**	**-**
Investments, net	**26,517,997**	**1,661,962**	**28,179,959**	**27,274,860**	**1,566,891**	**28,841,751**

The unquoted debt securities above are principally comprised of Saudi corporate securities and Saudi Government Development Bonds. Equity securities reported under FVOCI investments include unquoted shares of SAR 4.6 million (2021: SAR 13.3 million). Mutual funds are considered as quoted in the table above when the daily net asset values are published on the Saudi Stock Exchange (Tadawul).

The Group's investments in mutual funds represent investments in private real estate fund with the investment objective of delivering medium-term capital appreciation through development of premium residential apartments. The Group had also invested in shariah compliant open ended investment funds for investors seeking capital appreciation and high liquidity through exposure to Shariah compliant Saudi equities and financial products.

Investments include SAR 12.5 billion (2021: SAR 14.0 billion) in debt securities, which have been pledged under repurchase agreements with other financial institutions. Pledged assets are those financial assets that may be repledged or resold by counterparties to whom they have been transferred. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities, as well as requirements determined by exchanges on which the Bank acts as a participant. See note 12b.

6. Investments, net - continued

d) Investments, net are classified by counterparty as of December 31, 2022 and 2021 as follows:

	2022 SAR'000	2021 SAR'000
Government and quasi-government	18,897,860	19,229,960
Corporate	4,496,381	5,469,723
Banks and other financial institutions	4,785,718	4,142,068
Total	**28,179,959**	**28,841,751**

e) The movement of the allowance for credit losses, for investments, for the years ended December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Balances at the beginning of the year	26,185	31,385
Reversals for credit losses	(15,747)	(5,200)
Balances at the end of the year	**10,438**	**26,185**

f) Other reserves, classified in shareholders' equity, as of December 31, 2022 and 2021 are comprised of the following:

	2022 SAR'000	2021 SAR'000
Unrealized (losses) gains on revaluation of debt securities at FVOCI before allowance for credit losses	(1,001,219)	584,548
Allowance for credit losses on debt securities at FVOCI	**7,612**	**26,185**
Unrealized (losses) gains on revaluation of debt securities at FVOCI after allowance for credit losses	(993,607)	610,733
Unrealized losses on revaluation of equity securities held at FVOCI	(204,035)	(21,821)
Actuarial losses on defined benefit obligation	(8,751)	(25,298)
Share of other comprehensive loss of associates	(1,551)	(1,551)
Other reserves	**(1,207,944)**	**562,063**

7. Loans and advances, net

a) Loans and advances, net, held at amortized cost, as of December 31, 2022 and 2021 are comprised of the following:

2022 SAR'000	Commercial and other	Overdrafts	Consumer	Total
Stage 1	50,037,228	4,159,281	10,569,813	64,766,322
Stage 2	2,620,465	717,535	71,272	3,409,272
Stage 3	1,035,361	363,600	6,158	1,405,119
Total performing loans and advances	53,693,054	5,240,416	10,647,243	69,580,713
Non performing loans and advances	-	998,626	108,728	1,107,354
Total loans and advances	53,693,054	6,239,042	10,755,971	70,688,067
Allowance for credit losses	(759,481)	(914,783)	(130,605)	(1,804,869)
Loans and advances, net	**52,933,573**	**5,324,259**	**10,625,366**	**68,883,198**

2021 SAR'000	Commercial and other	Overdrafts	Consumer	Total
Stage 1	38,886,738	4,045,356	9,937,011	52,869,105
Stage 2	3,509,715	615,097	80,328	4,205,140
Stage 3	802,420	775,259	445	1,578,124
Total performing loans and advances	43,198,873	5,435,712	10,017,784	58,652,369
Non performing loans and advances	29,442	968,019	111,136	1,108,597
Total loans and advances	43,228,315	6,403,731	10,128,920	59,760,966
Allowance for credit losses	(817,126)	(997,051)	(148,438)	(1,962,615)
Loans and advances, net	42,411,189	5,406,680	9,980,482	57,798,351

b) Total loans and advances as of December 31, 2022 and 2021 are comprised of the following:

	2022 SAR'000	2021 SAR'000
Conventional loans and advances	18,477,748	17,823,213
Non-Interest based loans and advances:	52,210,319	41,937,753
Murabaha, including Tawarruq	52,154,100	41,839,485
Ijarah	56,219	98,268
Total loans and advances	**70,688,067**	**59,760,966**

7. Loans and advances, net - continued

c) The movement of the allowance for credit losses, for loans and advances, for the years ended December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Balances at the beginning of the year	1,962,615	1,752,806
Provisions for credit losses	150,673	254,432
Write-offs	(608,748)	(115,978)
Recoveries	**300,329**	**71,355**
Balances at the end of the year (i)	**1,804,869**	**1,962,615**

(i) Owing to the economic conditions posed in by COVID-19, the Group has recognized additional ECL provisions of SAR 43.2 million as of December 31, 2022 for its loans and advances portfolio as a result of post-model overlays. Refer to note 29l for details.

d) The credit quality of loans and advances as of December 31, 2022 and 2021 is summarized as follows:

(i) Neither past due nor credit impaired loans and advances, are as follows:

	2022 SAR'000	2021 SAR'000
Grade 1 - Exceptional	1,912,460	1,371,402
Grade 2 - Excellent	11,365,018	7,589,854
Grade 3 - Strong	12,917,534	10,714,586
Grade 4 - Good	12,119,343	9,761,600
Grade 5 - Acceptable	15,697,957	13,940,273
Grade 6 - Marginal	680,999	782,524
Grade 7 – Special Mention	1,110,140	501,848
Unrated	10,059,363	9,444,354
Total	**65,862,814**	**54,106,441**

The above table includes neither past due nor credit impaired loans and advances classified as Stage 2 amounting to SAR 2.9 billion (2021: SAR 3.0 billion). These loans are classified as Stage 2 as they exhibit a significant increase in credit risk due to their categorization as restructured, relative downgrade in risk ratings, watchlist and cross facility defaults. It also includes Stage 2 exposures which are yet to complete curing period to be eligible to be upgraded to Stage 1.

The ratings of the loans and advances included above are described as follows:

Exceptional – leader in highly stable industry. Superior financial fundamentals and substantial cash flows. Has ready access to financial markets.

Excellent - leader in a stable industry. Better than peers' financials and cash flows. Has access to financial markets under normal market conditions.

Strong - strong market and financial position with a history of successful performance but certain exceptions exist. Financial fundamentals are still better than industry benchmarks. The entity would have access to financial markets under normal market conditions.

7. Loans and advances, net - continued

Good - moderate degree of stability with industry or company specific risk factors. Financial fundamentals are sound and within industry benchmarks. Access to financial markets is limited and the entity is susceptible to cyclical changes.

Acceptable - minor weaknesses in industry or company specific risk factors. Some financial fundamentals are inferior to industry benchmarks. Alternative financing could be available but this might be limited to private and institutional sources only.

Marginal - unfavorable industry or company specific risk factors exist. Operating performance and financials are marginal. Alternative sources of finance are unlikely. No new business can be contemplated with this category.

Special Mention - unfavorable industry or company specific risk factors exist. Risk of non-payment is high. Financial fundamentals are well below industry benchmarks and alternative sources of finance are extremely limited.

Unrated – unrated loans and advances primarily consist of consumer and other retail loans with no past due balances.

(ii) Past due but not credit impaired loans and advances as of December 31, 2022 and 2021 are as follows:

2022 SAR'000	Commercial, overdrafts and others	Consumer	Total
From 1 day to 30 days	1,039,744	510,450	1,550,194
31 days and above	691,314	71,272	762,586
Total	**1,731,058**	**581,722**	**2,312,780**

2021 SAR'000	Commercial, overdrafts and others	Consumer	Total
From 1 day to 30 days	1,800,879	492,657	2,293,536
31 days and above	593,940	80,328	674,268
Total	**2,394,819**	**572,985**	**2,967,804**

7. Loans and advances, net - continued

e) The economic sector risk concentrations as of December 31, 2022 and 2021 are as follows:

	Performing			Non-performing	Allowance for credit losses	Loans and advances, net
2022 SAR'000	**Stage 1**	**Stage 2**	**Stage 3**			
Government and quasi-government	631,647	-	-	-	(2,926)	628,721
Banks and other financing entities	9,209,441	28,973	66,587	39,188	(113,346)	9,230,843
Agriculture and fishing	203,300	80,173	4,146	-	(1,494)	286,125
Manufacturing	2,055,702	201,386	100,710	37,854	(107,231)	2,288,421
Building and construction	5,076,230	1,412,789	155,473	184,257	(377,844)	6,450,905
Commerce	10,343,186	504,426	454,357	726,006	(687,340)	11,340,635
Transportation and communication	816,591	2,826	8	11,321	(21,497)	809,249
Services	1,802,429	195,505	32,220	-	(36,498)	1,993,656
Consumer loans	10,569,813	71,272	6,158	108,728	(130,605)	10,625,366
Other	24,057,983	911,922	585,460	-	(326,088)	25,229,277
Total	**64,766,322**	**3,409,272**	**1,405,119**	**1,107,354**	**(1,804,869)**	**68,883,198**

	Performing			Non-performing	Allowance for credit losses	Loans and advances, net
2021 SAR'000	**Stage 1**	**Stage 2**	**Stage 3**			
Government and quasi-government	563,604	-	-	-	(6,208)	557,396
Banks and other financing entities	8,510,926	43,968	98,993	10,446	(119,369)	8,544,964
Agriculture and fishing	277,534	10,225	-	-	(1,246)	286,513
Manufacturing	2,250,780	317,381	203,806	161,554	(255,379)	2,678,142
Building and construction	5,440,355	1,511,493	203,147	40,821	(269,336)	6,926,480
Commerce	10,338,241	1,024,208	247,207	763,040	(657,623)	11,715,073
Transportation and communication	747,088	-	11,669	3,899	(24,159)	738,497
Services	2,154,303	205,842	42,519	12,910	(49,932)	2,365,642
Consumer loans	9,937,011	80,328	445	111,136	(148,438)	9,980,482
Other	12,649,263	1,011,695	770,338	4,791	(430,925)	14,005,162
Total	52,869,105	4,205,140	1,578,124	1,108,597	(1,962,615)	57,798,351

8. Investments in associates

a) Investments in associates as of December 31, 2022 and 2021 include the Bank's ownership interest in associated companies in KSA, as follows:

	2022	2021
American Express (Saudi Arabia) ("AMEX")	50%	50%
YANAL Finance ("YANAL") (formerly 'Saudi ORIX Leasing Company')	38%	38%
Amlak International for Real Estate Finance Company ("AMLAK")	22.4%	22.4%

AMEX is a Saudi Arabian closed joint stock company in KSA with total capital of SAR 100 million. The principal activities of AMEX are to issue credit cards and offer other American Express products in KSA.

YANAL is a Saudi Arabian closed joint stock company in KSA with total capital of SAR 550 million. The primary business activities of YANAL include lease financing services in KSA.

AMLAK is a Saudi Arabian joint stock company in KSA with total capital of SAR 906 million. AMLAK offers real estate finance products and services in KSA.

All of the Bank's associates are incorporated in and operate exclusively in KSA.

b) The movement of investments in associates for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balance at beginning of the year	883,700	845,744
Share in earnings	70,856	54,808
Dividends	(31,571)	(18,013)
Share of other comprehensive income	-	1,161
Balance at end of the year	**922,985**	**883,700**

i. The Group owns a 50% equity interest in AMEX. The management has assessed the investment in AMEX in accordance with the requirements of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IAS 28 - Investments in Associates and Joint Ventures for control, joint control, and significant influence respectively. The Group has concluded that it does not control or jointly control AMEX primarily due to a put option with the Bank and call option with the counterparty which is not currently exercisable. The Bank believes that the probable time frame to exercise the potential voting rights range between 6-10 months.

The management has therefore concluded that the Group has significant influence over the financial and operating matters of the associated company and is therefore accounted for under the equity method of accounting.

8. Investments in associates - continued

c) The following table summarizes the associates' assets, liabilities, and equity as of December 31, 2022 and 2021, and income and expense for the years then ended:

2022 SAR'000	AMEX	YANAL	AMLAK
Total assets	1,096,080	1,487,826	3,916,186
Total liabilities	709,490	575,439	2,671,666
Total equity	386,590	912,387	1,244,520
Total income	394,215	133,626	229,810
Total expenses	351,543	48,911	150,701

2021 SAR'000	AMEX	YANAL	AMLAK
Total assets	1,091,265	1,472,036	3,764,577
Total liabilities	742,297	585,442	2,567,679
Total equity	348,968	886,594	1,196,898
Total income	301,027	144,766	217,671
Total expenses	274,282	92,256	134,756

d) The following table reconciles the summarized financial information to the carrying amount of the Bank's investments in associates as of December 31, 2022 and 2021:

2022 SAR'000	AMEX	YANAL	AMLAK	Total
Net assets	386,590	912,387	1,244,520	
Group's share of net assets	193,295	346,708	278,897	818,900
Goodwill	94,210	9,875	-	104,085
Carrying amount of interest	287,505	356,583	278,897	922,985

2021 SAR'000	AMEX	YANAL	AMLAK	Total
Net assets	348,968	886,594	1,196,898	
Group's share of net assets	174,484	336,906	268,225	779,615
Goodwill	94,210	9,875	-	104,085
Carrying amount of interest	268,694	346,781	268,225	883,700

9. Property, equipment, and right of use assets, net and Intangible assets, net

a) Property, equipment, and right of use assets, net as of December 31, 2022 and 2021 are summarized as follows:

2022 SAR'000	Land and buildings	Leasehold improvements	Furniture, equipment and vehicles	Projects pending completion	Total
Cost					
Balance at the beginning of the year	1,346,296	180,834	506,591	987	2,034,708
Additions (i)	291,422	17,579	23,472	1,388	333,861
Disposals (i)	(25,150)	-	(2,334)	-	(27,484)
Balance at the end of the year	1,612,568	198,413	527,729	2,375	2,341,085
Accumulated depreciation and amortization					
Balance at the beginning of the year	473,496	162,756	398,908	-	1,035,160
Charge for the year	48,696	9,987	35,846	-	94,529
Disposals	-	-	(978)	-	(978)
Balance at the end of the year	522,192	172,743	433,776	-	1,128,711
Net book value	**1,090,376**	**25,670**	**93,953**	**2,375**	**1,212,374**

2021 SAR '000	Land and buildings	Leasehold improvements	Furniture, equipment and vehicles	Projects pending completion	Total
Cost					
Balance at the beginning of the year	1,330,390	179,600	494,663	208	2,004,861
Additions (i)	15,906	1,234	16,945	779	34,864
Disposals (i)	-	-	(5,017)	-	(5,017)
Balance at the end of the year	1,346,296	180,834	506,591	987	2,034,708
Accumulated depreciation and amortization					
Balance at the beginning of the year	425,527	151,819	362,855	-	940,201
Charge for the year	47,969	10,937	39,720	-	98,626
Disposals	-	-	(3,667)	-	(3,667)
Balance at the end of the year	473,496	162,756	398,908	-	1,035,160
Net book value	**872,800**	**18,078**	**107,683**	**987**	**999,548**

(i) Additions and Disposals of property and equipment includes recognition and derecognition of ROU leased assets.

9. Property, equipment, and right of use assets, net and Intangible assets, net - continued

(ii) The above line items include ROU leased assets, net as follows:

2022 SAR'000	Buildings	Equipment and vehicles	Total
Cost	241,189	78,864	320,053
Accumulated amortization	25,887	23,732	49,619
Net book value	**215,302**	**55,132**	**270,434**

2021 SAR'000	Buildings	Equipment and vehicles	Total
Cost	235,891	78,365	314,256
Accumulated amortization	37,775	34,196	71,971
Net book value	**198,116**	**44,169**	**242,285**

The lease term of leases included in ROU assets range from 2 years to 35 years (2021: 2 years to 40 years). The payment for rentals is made on a monthly, quarterly, and annual basis and is paid in advance or arrears.

b) Intangible assets, net as of December 31, 2022 and 2021 are summarized as follows:

2022 SAR'000	Software	Projects pending completion	Goodwill	Total
Cost				
Balance at the beginning of the year	561,253	72,718	18,295	652,266
Additions	77,623	41,897	-	119,520
Transfers	25,150	(25,150)	-	-
Balance at the end of the year	664,026	89,465	18,295	771,786
Accumulated amortization				
Balance at the beginning of the year	282,987	-	-	282,987
Charge for the year	60,457	-	-	60,457
Balance at the end of the year	343,444	-	-	343,444
Net book value	**320,582**	**89,465**	**18,295**	**428,342**

2021 SAR '000	Software	Projects pending completion	Goodwill	Total
Cost				
Balance at the beginning of the year	460,948	51,496	18,295	530,739
Additions	91,732	29,795	-	121,527
Transfers	8,573	(8,573)	-	-
Balance at the end of the year	561,253	72,718	18,295	652,266
Accumulated amortization				
Balance at the beginning of the year	230,664	-	-	282,987
Charge for the year	52,323	-	-	60,457
Balance at the end of the year	282,987	-	-	343,444
Net book value	278,266	72,718	18,295	428,342

10. Other assets, net

a) Other assets, net as of December 31, 2022 and 2021 are summarized as follows:

	2022 SAR'000	2021 SAR'000
Customer and other receivables	109,411	96,968
Prepaid expenses	106,875	36,763
Others (i)	359,431	100,978
Total other assets	**575,717**	**234,709**
Allowance for credit losses	(2,906)	(2,712)
Other assets, net	**572,811**	**231,997**

(i) Others mainly include margins held by counterparties in favor of the Bank under Global Master Repurchase Agreements ("GMRA") amounting to SAR 347.6 million (2021: SAR 83.3 million).

b) The movement of the allowance for credit losses for other assets for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balances at the beginning of the year	2,712	2,893
Provisions (Reversals) for credit losses	194	(181)
Balances at the end of the year	**2,906**	**2,712**

11. Derivatives

a) In the ordinary course of business, the Bank utilizes the following derivative financial instruments for trading and hedging purposes:

i. Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging notional amounts. For cross-currency special commission rate swaps, notional amounts, and fixed and floating special commission payments are exchanged in different currencies. The notional amounts can also vary based upon the agreed terms in the case of variable notional swaps.

ii. 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 market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

iii. Forward rate agreements

(i) Additions and Disposals of property and equipment includes recognition and derecognition of ROU leased assets.

Forward rate agreements are individually negotiated special commission rate contracts that call for a cash settlement for the difference between a contracted special commission rate and the market rate on a specified future date, on a notional principal, for an agreed period of time.

10. Other assets, net - continued

iv. Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity, or financial instrument at a pre-determined price.

b) The derivative financial instruments are either held for trading or held for hedging purposes as described below:

i. Held for trading purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profit from favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profit from price differentials, between markets or products.

ii. Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. The risk management process involves managing the Bank's exposure to fluctuations in currency and special commission 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 routinely monitored and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are periodically used to manage special commission rate gap within the established limits.

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to optimize its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions. The Bank uses forward foreign exchange contracts to also apply various hedging strategies against specifically identified currency risks. In addition, the Bank uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission-rate exposures.

c) The tables below summarize the positive and negative fair values of derivative financial instruments, together with the notional amounts, analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at each year-end, do not necessarily reflect the amounts of future cash flows involved. The notional amounts are not indicative of the Bank's exposure to credit risk which is generally limited to the net positive fair values of derivatives, nor market risk.

10. Other assets, net - continued

Derivative financial instruments as of December 31, 2022 and 2021 are summarized as follows:

				Notional amounts by term to maturity				
	2022 SAR'000							
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Forward foreign exchange contracts	1,642	6,234	4,251,090	2,698,941	-	1,552,149	-	3,243,941
Special commission rates instruments	290,803	291,282	16,298,410	2,205,556	810,970	7,707,492	5,574,392	18,846,340
Held as fair value hedges:								
Special commission rates swaps	463,182	-	9,076,117	-	375,970	4,522,919	4,177,228	6,539,058
CSA / EMIR cash margins	(141,815)	(250,471)	-	-	-	-	-	-
Subtotal	613,812	47,045	29,625,617	4,904,497	1,186,940	13,782,560	9,751,620	28,629,339
Associated company put option (note 11e)	99,191	-	-	-	-	-	-	-
Total (note 29m)	**713,003**	**47,045**	**29,625,617**	**4,904,497**	**1,186,940**	**13,782,560**	**9,751,620**	**28,629,339**

				Notional amounts by term to maturity				
	2021 SAR'000							
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Forward foreign exchange contracts	4,148	2,837	2,606,683	1,010,353	-	1,596,330	-	2,247,307
Special commission rates instruments	328,944	328,136	16,225,934	837,925	1,997,060	7,205,522	6,185,427	21,216,789
Held as fair value hedges:								
Special commission rates swaps	-	686,300	12,116,598	187,750	1,858,725	4,941,580	5,128,543	7,252,932
CSA / EMIR cash margins	167,277	(787,126)	-	-	-	-	-	-
Subtotal	500,369	230,147	30,949,215	2,036,028	3,855,785	13,743,432	11,313,970	30,717,028
Associated company put option (note 11e)	163,602	-	-	-	-	-	-	-
Total (note 29m)	**663,971**	**230,147**	**30,949,215**	**2,036,028**	**3,855,785**	**13,743,432**	**11,313,970**	**30,717,028**

10. Other assets, net - continued

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

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

As of December 31, 2022, the CSA and EMIR net cash collateral amounts held by counterparties in favor of the Bank totaled SAR 108.6 million (2021: SAR 954.4 million(. The EMIR net cash margins include initial margin payments made to the counterparties.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset 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 assets and settle the liability simultaneously. See note 29m.

e) The Bank has a put option arising from an existing master agreement entered into by the Bank relating to an associated company, the estimated value of which is included in note 11c. The terms of the agreement give the Bank a put option and give the counter party a call option that is exercisable for the remaining term of the agreement. The Bank has valued only the put option, as the call option is deemed to be out of the money. The put option, once exercised, grants the Bank the right to receive a payment in exchange for its shares one year after the exercize, based on pre-determined formulas included in the agreement.

f) The table below is a summary of the Bank's fair value hedges and hedged portfolios as of December 31, 2022 and 2021, which includes the description of the hedged items and related fair values, the nature of the risk being hedged, and the hedging instruments and related fair values.

	Hedged items			Hedging instruments		
December 31, 2022 SAR'000	**Current fair value**	**Inception fair value**	**Hedged risk**	**Instrument used**	**Positive fair value**	**Negative fair value**
Fixed commission rate investments	8,861,691	9,703,032	Fair value risk	Commission rate swaps	463,182	-

	Hedged items			Hedging instruments		
December 31, 2021 SAR'000	**Current fair value**	**Inception fair value**	**Hedged risk**	**Instrument used**	**Positive fair value**	**Negative fair value**
Fixed commission rate investments	13,002,014	12,729,581	Fair value risk	Commission rate swaps	-	686,300

10. Other assets, net - continued

The net gains during the year on hedging instruments for fair value hedges were SAR 1,149.4 million (2021: gains of SAR 615.0 million). The net losses on hedged items attributable to hedged risk were SAR 1,149.4 million (2021: losses of SAR 615.0 million). The net positive fair value of all derivatives is approximately SAR 665.9 million (2021: SAR net positive 433.8 million). Approximately 87% (2021: 77%) of the positive fair value of the Bank's derivatives are entered into with financial institutions, and 19% (2021: 21%) of the positive fair value contracts are with any single counterparty at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Bank's treasury segment.

g) The amounts relating to items designated as hedged item as of December 31, 2022 and 2021 are as follows:

December 31, 2022 SAR'000	Carrying Amount	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Line item in the consolidated statement of financial position in which hedge item is included	Line item in the consolidated statement of financial position in which hedge item is included
Fixed commission rate investments	8,861,691	(459,188)	Investments – debt securities	FVOCI

December 31, 2021 SAR'000	Carrying Amount	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Line item in the consolidated statement of financial position in which hedge item is included	Line item in the consolidated statement of financial position in which hedge item is included
Fixed commission rate investments	13,002,014	614,526	Investments – debt securities	FVOCI

12. Due to banks and other financial institutions, net

a) Due to banks and other financial institutions, net as of December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Current accounts	3,327	7,162
Repurchase agreements (i) (note 12b)	12,976,300	13,385,749
Money market deposits	1,807,659	2,233,042
Deposits from SAMA, net (note 12c)	6,105,184	6,166,655
Total	**20,892,470**	**21,792,608**

(i) The amount of Repurchase agreements include Repurchase agreements with SAMA amounting to SAR 246.8 million (2021: NIL)

12. Due to banks and other financial institutions, net - continued

b) Debt securities pledged under repurchase agreements with other banks include corporate, bank, and non-government bonds. The fair values of assets pledged as collateral with financial institutions as security and the related balances of the repurchase agreements as of December 31, 2022 and 2021 are as follows:

	2022 SAR'000		2021 SAR'000	
	Pledged Assets	Repurchase Agreements	Pledged Assets	Repurchase Agreements
Debt securities	12,504,648	12,976,300	14,014,045	13,385,749

c) Deposits from SAMA, net are comprised of the following:

	2022 SAR'000	2021 SAR'000
Maturing during the year ending		
December 31, 2022	-	2,500,000
December 31, 2023 (i)	2,863,794	525,340
December 31, 2024	624,660	624,660
December 31, 2025	2,810,069	2,810,069
Undiscounted deposits from SAMA	**6,298,523**	**6,460,069**
Less: Unamortized discount	(193,339)	(293,414)
Deposits from SAMA, net	**6,105,184**	**6,166,655**

(i) Deposits from SAMA maturing during the year ending December 31, 2023 includes accrued commission payable amounting to SAR 38.45 million (2021: NIL).

13. Customers' deposits

a) Customers' deposits as of December 31, 2022 and 2021 are summarized as follows:

	2022 SAR'000	2021 SAR'000
Murabaha commodity deposits	19,892,110	16,211,360
Conventional time deposits	15,711,570	8,933,847
Time deposits	35,603,680	25,145,207
Savings deposits	2,739,319	2,147,244
Total special commission bearing deposits	**38,342,999**	**27,292,451**
Demand deposits	27,766,576	31,951,963
Other deposits	3,468,951	2,240,583
Customers' deposits	**69,578,526**	**61,484,997**

Other deposits include SAR 649.2 million (2021: SAR 650.8 million) of margin deposits held for irrevocable commitments.

13. Customers' deposits - continued

Customers' deposits above include Sharia-Compliant and demand deposits totaling SAR 47.6 billion (2021: SAR 48.1 billion).

b) The above amounts include foreign currency deposits (equivalent to Saudi Arabian Riyals) as of December 31, 2022 and 2021 as follows:

	2022 SAR'000	2021 SAR'000
Demand	1,513,309	2,148,005
Savings	523,282	1,504,658
Time	11,951,328	6,052,631
Other	75,746	77,472
Total	**14,063,665**	**9,782,766**

14. Other liabilities

a) Other liabilities as of December 31, 2022 and 2021 are summarized as follows:

	Notes	2022 SAR'000	2021 SAR'000
Accrued expenses		244,786	164,775
Allowance for credit losses for financial guarantee contracts	14b	241,688	204,131
Accrued salaries and other employee related benefits		227,303	242,278
Accrued Zakat		217,917	236,161
Employee end of service benefits	34a	207,301	193,747
Lease liabilities	14c	202,601	231,890
Zakat settlement liability, net	24e	119,890	235,262
Customer related liabilities		91,039	69,675
Allowance for legal proceedings	18a	47,164	49,000
Deferred fees and income		17,409	65,508
Others		145,777	117,650
Total		**1,762,875**	**1,810,077**

b) The movement of the allowance for credit losses for financial guarantee contracts for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balances at the beginning of the year	204,131	210,554
Provisions (Reversals) for credit losses	37,557	(6,423)
Balances at the end of the year (note 14a)	**241,688**	**204,131**

14. Other liabilities - continued

c) The maturity analysis of contractual undiscounted lease liabilities is summarized as follows:

	2022 SAR'000	2021 SAR'000
Less than one year	47,009	45,189
One to five years	78,111	98,759
More than five years	105,918	113,421
Total undiscounted lease liabilities	**231,038**	**257,369**
Add amounts for reasonably certain extension options	120,111	124,089
Undiscounted lease liabilities	**351,149**	**381,458**
Lease liabilities (note 14a)	**202,601**	**231,890**

15. Share capital

As of December 31, 2022, the authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (2021: 750 million shares of SAR 10 each). The ownership of the Bank's share capital as of December 31, 2022 and 2021 is as follows in SAR millions:

	2022		2021	
	Amount	**%**	**Amount**	**%**
Saudi shareholders	10,000.0	100.0	7,500.0	100.0
	10,000.0	**100.0**	**7,500.0**	**100.0**

16. Statutory reserve

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 377 million has been transferred from 2022 net income (2021: SAR 266 million from net income). The statutory reserve is not currently available for distribution.

Refer to note 17 for capital increase by way of issuing bonus shares through capitalization from statutory reserve.

17. Dividends and Bonus shares issuance

During the three month period ended March 31, 2021, the Board of Directors proposed a cash dividend of SAR 270 million equal to SAR 0.4 per share, for the year 2020, to 675 million eligible shares. The proposed cash dividend was approved by the Bank's shareholders in an extraordinary general assembly meeting held on April 21, 2021. The dividends were paid to the Bank's shareholders thereafter.

During the three month period ended December 31, 2021, the Board of Directors proposed a cash dividend of SAR 525 million equal to SAR 0.7 per share, for the year 2021, to 750 million eligible shares. The Board of Directors also proposed capital increase by way of issuing bonus shares to the bank's shareholders by granting one share for every three shares held. The capital increase was proposed by way of capitalization from statutory reserve.

The proposed cash dividend and bonus shares issuance was approved by the Bank's shareholders in an extraordinary general assembly meeting held on February 1, 2022.

During the three month period ended March 31, 2022, the cash dividends were paid, bonus shares were distributed and share capital was accordingly increased.

17. Dividends and Bonus shares issuance - continued

During the three month period ended September 30, 2022, the Board of Directors proposed an interim cash dividend of SAR 300 million equal to SAR 0.3 per share, for the year 2022, to 1,000 million eligible shares. The proposed cash dividend were paid during the three month period ended September 30, 2022.

During the three month period ended December 31, 2022, the Board of Directors proposed another cash dividend of SAR 450 million equal to SAR 0.45 per share, for the year 2022, to 1,000 million eligible shares.

18. Commitments, contingencies, and financial guarantee contracts

a) Legal proceedings

As of December 31, 2022, there were 570 legal proceedings outstanding against the Group (2021: 488). No provision has been made in cases where professional legal advice indicates that it is not probable that any significant loss will arise. However, provisions are made for legal cases where management foresees the probability of an adverse outcome based on professional advice.

The movement of the allowance for such legal cases, included in other liabilities, for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balance at beginning of the year	49,000	49,000
Utilized during the year	(1,836)	-
Balance at end of the year (note 14a)	**47,164**	**49,000**

b) Capital commitments

As of December 31, 2022, the Group had capital commitments of SAR 188.2 million (2021: SAR 194.2 million) for property, equipment and Intangible assets.

c) Credit related commitments and contingencies

The Group enters into certain credit related facilities to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

18. Commitments, contingencies, and financial guarantee contracts- continued

i) The contractual maturity structure for the Group's credit related commitments and contingencies as of December 31, 2022 and 2021 are as follows:

	2022 SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,459,203	1,023,299	8,199	-	2,490,701
Letters of guarantee	1,845,099	4,926,315	2,929,021	32,758	9,733,193
Acceptances	859,691	218,582	-	-	1,078,273
Total financial guarantee contracts	4,163,993	6,168,196	2,937,220	32,758	13,302,167
Irrevocable commitments to extend credit	-	2,124,230	550,231	-	2,674,461
Credit-related commitments and contingencies	4,163,993	8,292,426	3,487,451	32,758	15,976,628

	2021 SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,523,150	951,786	7,593	-	2,482,529
Letters of guarantee	2,220,918	5,059,083	1,960,704	22,252	9,262,957
Acceptances	472,032	246,112	-	-	718,144
Total financial guarantee contracts	4,216,100	6,256,981	1,968,297	22,252	12,463,630
Irrevocable commitments to extend credit	-	153,438	75,424	22,440	251,302
Credit-related commitments and contingencies	4,216,100	6,410,419	2,043,721	44,692	12,714,932

The movement of the allowance for credit losses for financial guarantee contracts is summarized in note 14b.

The outstanding unused portion of commitments as of December 31, 2022 which can be revoked unilaterally at any time by the Group, amounts to SAR 24.5 billion (2021: SAR 23.2 billion).

ii) The analysis of commitments and contingencies by counterparty as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Government and quasi-Government	1,075,306	257,201
Corporate	13,778,010	11,807,273
Banks and other financial institutions	1,081,389	437,124
Other	41,923	213,334
Total	**15,976,628**	**12,714,932**

18. Commitments, contingencies, and financial guarantee contracts- continued

d) Zakat

Note 24 provides information regarding the current status of the Group's Zakat positions.

19. Special commission income and expense

Special commission income and expense for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Special commission income:		
- Loans and advances	3,014,938	2,165,701
- Investments	920,477	634,000
- Banks and other financial institutions	131,903	20,291
Total special commission income	**4,067,318**	**2,819,992**
Special commission expense:		
- Customers' deposits	777,704	237,488
- Banks and other financial institutions	436,037	185,489
- Term loans	-	16,725
- Lease liabilities	12,597	15,196
- Zakat settlement liability	8,700	12,696
Total special commission expense	**1,235,038**	**467,594**
Net special commission income (i)	**2,832,280**	**2,352,398**

i) Supplemental special commission information: The special commission received during the year ended December 31, 2022 amounts to SAR 3,713.2 million (2021: SAR 2,870.0 million). Special commission paid during the year ended December 31, 2022 amounts to SAR 955.2 million (2021: SAR 494.3 million).

20. Fee income from banking services, net

Fee income from banking services, net for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Fee income:		
- Share trading and fund management	167,125	245,882
- Trade finance	110,334	104,334
- Corporate and retail finance	27,298	10,140
- Other banking services	255,483	163,232
Total fee income	**560,240**	**523,588**
Fee expense:		
- Share trading and fund management	51,059	79,287
- Other banking services	213,711	117,878
Total fee expense	**264,770**	**197,165**
Fee income from banking services, net	**295,470**	**326,423**

21. Gains on disposals of FVOCI debt securities, net

Gains on disposals of FVOCI debt securities, net for the years ended December 31, 2022 and 2021 are summarized as follows:

	2022 SAR'000	2021 SAR'000
Losses on the sale of FVOCI debt securities	(325)	-
Gains on the sale of FVOCI debt securities	11,116	74,106
Total	**10,791**	**74,106**

22. Compensation and related governance and practices

a) As required by SAMA, the following table summarizes the Group's employee categories defined in accordance with SAMA's rules on compensation practices. It includes the total amounts of fixed and variable compensation paid to employees, and the forms of such payments, and also includes the variable compensation accrued, and other employee benefits and related expenses incurred during the years ended December 31, 2022 and 2021.

	2022 SAR'000				
		Fixed Compensation Paid	Variable Compensation Paid		
Category	**Number of Employees**		**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	16	38,935	20,680	-	20,680
Employees engaged in risk taking activities	80	50,133	12,860	-	12,860
Employees engaged in control functions	118	61,504	10,460	-	10,460
Other employees	1288	291,710	37,430	-	37,430
Outsourced employees	67	15,565	1,880	-	1,880
Totals	**1,569**	**457,847**	**83,310**	**-**	**83,310**
Other employee benefits and related expenses		**289,390**			
Total salaries and employee related expenses		**747,237**			

22. Compensation and related governance and practices - continued

		2021 SAR'000			
		Fixed	Variable Compensation Paid		
Category	Number of Employees	Compensation Paid	Cash	Shares	Total
Senior executives requiring SAMA no objection	19	35,795	19,908	-	19,908
Employees engaged in risk taking activities	93	52,162	12,900	-	12,900
Employees engaged in control functions	91	42,539	8,580	-	8,580
Other employees	1,277	272,761	31,927	-	31,927
Outsourced employees	78	18,422	2,297	-	2,297
Totals	**1,558**	**421,679**	**75,612**	**-**	**75,612**
Other employee benefits and related expenses		**265,703**			
Total salaries and employee related expenses		**687,382**			

b) The Board of Directors of the Bank has established a Nomination and Remuneration Committee (the Committee) which consists of 4 Board members. The Committee is primarily responsible for recommending appointments to membership of the Board of Directors and key executives of the Bank in compliance with the Bank's Corporate Governance Guidelines, completing annual reviews for the requirements of suitable skills and independence for membership of the Bank's Board of Directors, reviewing the structure of the Board of Directors, establishing policies for the compensation of members of the Board of Director's, and overseeing the Bank's employee compensation system's design.

The Committee is also responsible to recommend to the Board of Directors the approval of the Bank's Compensation Policy and any amendments thereto, to ensure that the Bank's remuneration policies are in compliance with SAMA Rules on Compensation Practices and the Financial Stability Board's (FSB) Principles for Sound Compensation Practices, to periodically review the Bank's compensation policy, to evaluate practices by which compensation is paid, and to determine the performance bonuses for the Bank's employees based on the risk adjusted profit of the Bank.

The Bank's Compensation Policy is designed to attract, retain and motivate high performing and high potential employees. Employees participate in various variable pay arrangements. Discretionary variable pay as well as fixed pay reviews are dependent on the achievement of objectives, which is monitored/measured via a robust performance management system. The grant of the variable component of the reward is strictly dependent on the achievement of set targets, both financial and non-financial, level of achievements and the Bank's overall performance, including key risk indicators. Higher achievements will warrant a better performance rating and higher variable compensation. The Balanced Scorecard concept is used as a performance management tool and Performance objectives are typically categorized into 4 segments including financial, customer, process, and people.

Financial and non-financial metrics are used to measure performance against the objectives, which include profitability, expense control, customer satisfaction, quality assurance, employee development and engagement, workforce diversity, sustainable business practices, lending guidelines, internal controls, compliance with regulations, and business systems and processes. Effective risk management is emphasized to maintain a strong and secure operating platform. A Risk Appetite Framework Policy has been established and compliance with the annual Risk Appetite Statement is key to all remuneration decisions including variable pay arrangements.

22. Compensation and related governance and practices - continued

In addition to the above, the Bank's employees are encouraged to participate in employee share savings and incentive schemes. Variable remuneration is linked to long-term value creation and risk horizons. It is also based on individual, business segment and Bank performance criteria. Accordingly, for certain variable remunerations, a portion of the incentive earned for the annual performance bonus program is deferred in line with long term risk realization. The vesting is subject to clawback mechanisms over a three year period.

The Bank's subsidiaries have adopted a similar approach to remuneration and compensation practices as described above, including policies within a framework of prudent risk management.

The total amount of compensation paid to key management for the year ended December 31, 2022 was SAR 53.7 million (2021: SAR 50.9 million). The post-employment benefits accrued to key management for the year ended December 31, 2022 was SAR 2.3 million (2021: SAR 3.2 million).

The total end of service payments made for all employees who left their employment with the Group during the year ended December 31, 2022 totalled SAR 13.9 (2021: SAR 26.3 million). These payments were made to 153 beneficiaries (2021: 101). The highest payment to a single individual in 2022 was SAR 0.8 million (2021: SAR 9.9 million).

23. Basic and diluted earnings per share

a) Basic and diluted earnings per share is calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving effect to the purchase and issuance of 74.9 million treasury shares and distribution of 250 million bonus shares.

b) Details of basic and diluted earnings per share are as follows:

	2022 SAR'000	2021 SAR'000
Profit attributable to ordinary shareholders		
Net income	1,507,855	1,061,656
Tier I Sukuk costs	(142,471)	(110,699)
Net income adjusted for Tier I Sukuk costs	1,365,384	950,957
Weighted average number of outstanding shares (in '000)		
Number of shares outstanding at the beginning of the year	750,000	675,004
Adjusted issuance of treasury shares	-	25,908
Bonus element included in issuance of treasury shares	-	8,803
Issuance of bonus shares during 2022 (note 17)	250,000	250,000
Weighted average number of outstanding shares	1,000,000	959,715
Basic and diluted earnings per share (SAR)	**1.37**	**0.99**

The weighted average number of outstanding shares for 2021 have been adjusted to reflect the effect of bonus shares issued during the year ended December 31, 2022 and bonus element included in the treasury shares issued in 2021 which has been calculated using an adjustment factor of 1.02 which is the ratio of the theoretical ex-rights price of SR 17.49 and closing price per share of SR 17.88 immediately before exercise of the rights.

24. Zakat

a) Provisions for Zakat for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Provisions for Zakat		
Provisions – current and prior period	204,110	239,393
Reversal of Zakat – prior period (note 24b)	-	(33,782)
Provisions for Zakat, net	204,110	205,611

b) Under the SAMA support programs and initiatives, the Bank received long-term commission free deposits from SAMA. These deposits were intended to compensate for the related costs that the Bank was expected to incur under the SAMA and other public authorities program. As per the Zakat regulations in KSA, all long-term liabilities are included as a Zakatable source of funds for the calculation of Zakat charge. Accordingly, zakat was calculated and paid on these long-term commission free deposits to ZATCA for the year ended December 31, 2020. During the year ended December 31, 2021, the Bank received a confirmation from the concerned authorities to not include these long-term deposits from the Zakatable source of funds considering the purpose of these deposits. The confirmation was treated as a change in estimate and accordingly, the Bank reversed the additional Zakat paid on long-term deposits in the consolidated statement of income for the year ended December 31, 2021.

c) The Bank has filed the required Zakat returns with the ZATCA which are due on April 30 each year, through the year ended December 31, 2021. The Bank's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership percentages disclosed in note 15. The assessments for Bank's 2019, 2020 and 2021 zakat declarations are in progress.

d) 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 Bank has provided for Zakat for the year ended December 31, 2022 and 2021 on the basis of the Bank's understanding of these rules.

e) In December 2018, the Bank agreed with the ZATCA to a settlement of Zakat assessments for the years 2006 to 2017 for SAR 775.5 million. The discounted Zakat liability of SAR 711.8 million was fully provided for through a charge to the consolidated statement of income with the corresponding liability included in other liabilities as of December 31, 2018. The Bank has paid SAR 155 million on January 1, 2019 and SAR 124 million on December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022 respectively, as per the settlement agreement. The undiscounted Zakat settlement liability remaining to be paid and the net discounted Zakat liability is as follows:

24. Zakat - continued

	2022 SAR'000	2021 SAR'000
December 1, 2022	-	124,072
December 1, 2023	124,072	124,072
Undiscounted Zakat settlement liability	**124,072**	**248,144**
Less: Discount	(4,182)	(12,882)
Net discounted Zakat liability (note 14a)	**119,890**	**235,262**

The Zakat settlement also included provisions for the Bank to calculate the Zakat liability for the year ended December 31, 2018 using the same methodology as was agreed in the settlement for the prior years. The 2018 Zakat was calculated based on this method and was also charged to the consolidated statement of income in 2018 and was settled by April 30, 2019.

25. Operating segments

a) Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Bank's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance is measured based on segment profit, as management believes that this indicator is the most relevant in evaluating the results of segments relative to other entities that operate within these sectors.

Transactions between the operating segments are on normal commercial terms and conditions as approved by management. 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 are comprised of operating assets and liabilities. The Group's primary business is conducted in KSA.

There has been no change to the measurement basis or classification for the segment profit or loss during the year ended December 31, 2022.

b) The Group's reportable segments are as follows:

Retail banking. Loans, deposits, and other credit products for high-net worth individuals and consumers.
Corporate banking. Loans, deposits and other credit products for corporate, small to medium-sized businesses, and institutional customers.
Treasury and Investments. Money market, investments and treasury services, and investments in associates and related activities.
Asset management and brokerage. Dealing, managing, advising and custody of securities services.
Other. Support functions, special credit, and other management and control units.

Commission is charged to operating segments based on Funds Transfer Price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits (FTP net transfers). All other segment income is from external customers.

25. Operating segments - continued

c) The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of December 31, 2022 and 2021, and its total operating income, expenses, and Income before provisions for Zakat for the years then ended, are as follows:

	2022 SAR'000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Total assets	21,294,409	47,288,720	36,791,119	714,625	2,981,739	109,070,612
Total liabilities	24,714,662	10,182,710	54,794,735	74,542	2,514,267	92,280,916
Net special commission income (loss)	765,156	1,879,157	199,342	48,166	(59,541)	2,832,280
FTP net transfers	361,028	(808,129)	424,649	-	22,452	-
Net FTP contribution	1,126,184	1,071,028	623,991	48,166	(37,089)	2,832,280
Fee income (loss) from banking services, net	31,346	117,604	28,589	137,023	(19,092)	295,470
Other operating income (loss)	91,182	71,747	136,206	1,336	(162,925)	137,546
Total operating income (loss)	1,248,712	1,260,379	788,786	186,525	(219,106)	3,265,296
Direct operating expenses	348,132	75,608	50,657	104,575	-	578,972
Indirect operating expenses	341,458	179,266	332,922	-	-	853,646
Provisions for credit and other losses	105,925	108,281	(22,628)	(9)	-	191,569
Total operating expenses	795,515	363,155	360,951	104,566	-	1,624,187
Operating income (loss)	453,197	897,224	427,835	81,959	(219,106)	1,641,109
Share in earnings of associates	-	-	70,856	-	-	70,856
Income (loss) before provisions for Zakat	453,197	897,224	498,691	81,959	(219,106)	1,711,965

	2021 SAR'000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Total assets	19,373,170	37,850,491	40,996,230	631,266	2,768,147	101,619,304
Total liabilities	23,104,835	8,876,380	52,899,287	57,083	380,244	85,317,829
Net special commission income (loss)	712,960	1,234,511	391,835	26,327	(13,235)	2,352,398
FTP net transfers	15,296	(556,643)	550,054	-	(8,707)	-
Net FTP contribution	728,256	677,868	941,889	26,327	(21,942)	2,352,398
Fee income (loss) from banking services, net	44,771	99,479	20,555	176,486	(14,868)	326,423
Other operating income (loss)	73,990	60,731	51,554	8,167	(120,215)	74,227
Total operating income (loss)	847,017	838,078	1,013,998	210,980	(157,025)	2,753,048
Direct operating expenses	342,223	75,401	37,574	99,674	-	554,872
Indirect operating expenses	285,860	150,077	278,714	-	-	714,651
Provisions for credit and other losses	138,152	164,365	230	(181)	(31,500)	271,066
Total operating expenses	766,235	389,843	316,518	99,493	(31,500)	1,540,589
Operating income (loss)	80,782	448,235	697,480	111,487	(125,525)	1,212,459
Share in earnings of associates	-	-	54,808	-	-	54,808
Income (loss) before provisions for Zakat	80,782	448,235	752,288	111,487	(125,525)	1,267,267

25. Operating segments - continued

d) The Group's credit exposure by business segment as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Consolidated statement of financial position assets	19,809,923	47,288,665	35,687,385	569,285	1,215,324	104,570,582
Commitments and contingencies	772,616	9,528,166	747,833	-	-	11,048,615
Derivatives	-	-	1,364,601	-	-	1,364,601
Totals	**20,582,539**	**56,816,831**	**37,799,819**	**569,285**	**1,215,324**	**116,983,798**

	2021 SAR'000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Consolidated statement of financial position assets	17,920,610	37,850,331	39,600,660	551,989	1,479,733	97,403,323
Commitments and contingencies	3,357,020	6,327,645	38,716	-	-	9,723,381
Derivatives	-	-	779,499	-	-	779,499
Totals	**21,277,630**	**44,177,976**	**40,418,875**	**551,989**	**1,479,733**	**107,906,203**

Consolidated statement of financial position credit exposure is comprised of the carrying value of consolidated statement of financial position assets excluding cash on hand, property, equipment, right of use assets, net and Intangible assets, net, investments in associates, investments in equities, mutual funds, and other securities, other real estate, and other assets, net.

26. Geographical concentration

a) The distribution by geographical region for assets, liabilities, and for commitments, contingencies, and derivatives as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000						
	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with SAMA:							
Cash on hand	721,189	-	-	-	-	-	721,189
Balances with SAMA	5,680,069	-	-	-	-	-	5,680,069
Due from banks and other financial institutions, net:							
Current accounts	-	264,108	268,652	541,778	31,596	2,107	1,108,241
Money market placements	-	-	196,460	-	-	-	196,460
Investments:							
Held at FVTPL	10,034	-	-	3,701	-	-	13,735
Held at amortized cost, net	2,253,498	1,473,506	705,402	1,791,436	-	-	6,223,842
Held at FVOCI	17,060,305	3,578,135	580,902	515,858	207,182	-	21,942,382
Positive fair values of derivatives, net:							
Held for trading	172,855	57,476	62,114	-	-	-	292,445
Held as fair value hedges	-	-	463,182	-	-		463,182
Associated company put option	-	99,191	-	-	-	-	99,191
CSA / EMIR cash margins	-	-	(141,815)	-	-	-	(141,815)
Loans and advances, net:							
Commercial and others	52,933,573	-	-	-	-	-	52,933,573
Overdrafts	5,324,259	-	-	-	-	-	5,324,259
Consumer	10,625,366	-	-	-	-	-	10,625,366
Investments in associates	922,985	-	-	-	-	-	922,985
Other real estate	451,981	-	-	-	-	-	451,981
Property, equipment, and right of use assets, net	1,212,374	-	-	-	-	-	1,212,374
Intangible assets, net	428,342	-	-	-	-	-	428,342
Other assets, net	572,811	-	-	-	-	-	572,811
Total	**98,369,641**	**5,472,416**	**2,134,897**	**2,852,773**	**238,778**	**2,107**	**109,070,612**
Liabilities							
Due to banks and other financial institutions, net:							
Current accounts	-	1,922	535	102	768	-	3,327
Repurchase agreements	246,802	5,580,684	7,148,814	-	-	-	12,976,300
Money market deposits	1,218,798	588,861	-	-	-	-	1,807,659
Deposits from SAMA, net	6,105,184	-	-	-	-	-	6,105,184
Customers' deposits:							
Time	35,603,680	-	-	-	-	-	35,603,680
Savings	2,739,319	-	-	-	-	-	2,739,319
Demand	27,766,576	-	-	-	-	-	27,766,576
Other	3,468,951	-	-	-	-	-	3,468,951
Negative fair values of derivatives, net:							
Held for trading	-	-	297,516	-	-	-	297,516
CSA / EMIR cash margins	-	-	(250,471)	-	-	-	(250,471)
Other liabilities	1,762,875	-	-	-	-	-	1,762,875
Total	**78,912,185**	**6,171,467**	**7,196,394**	**102**	**768**	**-**	**92,280,916**
Commitments and contingencies:							
Letters of credit	1,857,432	633,269	-	-	-	-	2,490,701
Letters of guarantee	9,287,375	231,199	206,510	2,042	6,067	-	9,733,193
Acceptances	1,078,273	-	-	-	-	-	1,078,273
Irrevocable commitments to extend credit	2,674,461	-	-	-	-	-	2,674,461
Maximum credit exposure (stated at credit equivalent amounts):							
Commitments and contingencies							
Letters of credit	1,542,760	525,985	-	-	-	-	2,068,745
Letters of guarantee	7,713,978	192,031	171,525	1,696	5,039	-	8,084,269
Acceptances	895,601	-	-	-	-	-	895,601
Derivatives:							
Held for trading	151,099	452,129	127,942	-	-	-	731,170
Held as fair value hedges	-	-	534,240	-	-	-	534,240
Associated company put option	-	99,191	-	-	-	-	99,191

26. Geographical concentration - continued

	2021 SAR'000						
	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with SAMA:							
Cash on hand	754,291	-	-	-	-	-	754,291
Balances with SAMA	5,178,657	-	-	-	-	-	5,178,657
Due from banks and other financial institutions, net:							
Current accounts	-	145,525	344,080	1,794,930	7,550	63,693	2,355,778
Money market placements	3,090,000	-	-	-	-	-	3,090,000
Investments:							
Held at FVTPL	128,474	9,459	-	4,723	-	-	142,656
Held at FVOCI	21,311,530	5,416,807	1,119,032	598,629	-	253,097	28,699,095
Positive fair values of derivatives, net:							
Held for trading	201,792	105,344	25,956	-	-	-	333,092
Associated company put option	-	163,602	-	-	-	-	163,602
CSA / EMIR cash margins	(5,490)	161,787	10,980	-	-	-	167,277
Loans and advances, net:							
Commercial and others	42,411,189	-	-	-	-	-	42,411,189
Overdrafts	5,406,680	-	-	-	-	-	5,406,680
Consumer	9,980,482	-	-	-	-	-	9,980,482
Investments in associates	883,700	-	-	-	-	-	883,700
Other real estate	451,981	-	-	-	-	-	451,981
Property, equipment, and right of use assets, net	999,548	-	-	-	-	-	999,548
Intangible assets, net	369,279	-	-	-	-	-	369,279
Other assets, net	231,997	-	-	-	-	-	231,997
Total	**91,394,110**	**6,002,524**	**1,500,048**	**2,398,282**	**7,550**	**316,790**	**101,619,304**
Liabilities							
Due to banks and other financial institutions, net:							
Current accounts	-	2,511	535	-	-	4,116	7,162
Repurchase agreements	-	5,939,252	7,446,497	-	-	-	13,385,749
Money market deposits	1,002,991	443,229	786,822	-	-	-	2,233,042
Deposits from SAMA, net	6,166,655	-	-	-	-	-	6,166,655
Customers' deposits:							
Time	25,145,207	-	-	-	-	-	25,145,207
Savings	2,147,244	-	-	-	-	-	2,147,244
Demand	31,951,963	-	-	-	-	-	31,951,963
Other	2,240,583	-	-	-	-	-	2,240,583
Negative fair values of derivatives, net:							
Held for trading	127,140	93,984	109,849	-	-	-	330,973
Held as fair value hedges	-	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	-	(787,126)	-	-	-	(787,126)
Other liabilities	1,810,077	-	-	-	-	-	1,810,077
Total	**70,591,860**	**6,478,976**	**8,242,877**	**-**	**-**	**4,116**	**85,317,829**
Commitments and contingencies:							
Letters of credit	2,399,509	83,020	-	-	-	-	2,482,529
Letters of guarantee	8,917,769	54,563	14,799	10,636	-	265,190	9,262,957
Acceptances	716,657	1,487	-	-	-	-	718,144
Irrevocable commitments to extend credit	251,302	-	-	-	-	-	251,302
Maximum credit exposure (stated at credit equivalent amounts):							
Commitments and contingencies							
Letters of credit	2,351,308	81,353	-	-	-	-	2,432,661
Letters of guarantee	6,327,645	38,716	10,501	7,547	-	188,167	6,572,576
Acceptances	716,657	1,487	-	-	-	-	718,144
Derivatives:							
Held for trading	139,849	68,084	166,841	-	-	-	374,774
Held as fair value hedges	89,976	43,804	107,343	-	-	-	241,123
Associated company put option	-	163,602	-	-	-	-	163,602

26. Geographical concentration - continued

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2022 SAR'000	2021 SAR'000	2022 SAR'000	2021 SAR'000
Kingdom of Saudi Arabia				
Commercial loans and overdrafts	998,626	997,461	1,674,264	1,814,177
Consumer loans	108,728	111,136	130,605	148,438
	1,107,354	**1,108,597**	**1,804,869**	**1,962,615**

27. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either a trading or banking book.

a) Market risk-trading book

The Board of Directors has set limits for the acceptable level of risks in managing the trading book. The Group currently has trading book exposures in foreign exchange contracts and commission rate swaps. Market risk management uses the estimation of Value at Risk (VaR) tool for all transactions included in the trading portfolios. VaR is estimated for a specified period based on adverse market fluctuations.

b) Market risk-banking book

Market risk in the banking book mainly arises from commission rate risk, liquidity risk, currency risk, and equity price risk.

i. Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect either the fair values or the future cash flows of the financial instruments and obligations. The Board of Directors has established commission rate gap limits for stipulated periods. The Group monitors positions and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in commission rates, with other variables held constant, on the Group's consolidated statement of income or shareholders' equity. The reasonably possible change is estimated based on the relevant commission rate movements during the last five years (2018 - 2022) (2021: 2017 - 2021). A positive effect shows a potential net increase in the consolidated net income or shareholders' equity, whereas a negative effect shows a potential net reduction in consolidated net income or shareholders' equity.

The sensitivity of net special commission income is the effect of the assumed changes in commission rates on the net special commission income for one year, based on the floating rate financial assets and financial liabilities held as of December 31, 2022 and 2021, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI debt securities, excluding the effect of any associated fair value hedges as of December 31, 2022 and 2021 for the effect of assumed changes in commission rates. The sensitivity of shareholders' equity is analyzed by maturity of the asset or swap. The entire banking book exposures are monitored and analyzed by currency and relevant sensitivities and are disclosed in SAR thousands. For presentation purposes in the tables below, short-term fixed rate deposit liabilities are treated as variable rate deposits.

27. Market risk - continued

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

		2022 SAR'000	2022 Sensitivity of equity SAR'000				
Commission rate	Increase (decrease) in basis	Sensitivity of net special commission income	6 months or less	6 to 12 months	1 to 5 years	Over 5 years	Total
SIBOR	+275/-235	-269,903/+230,644	-	-23,383/+19,982	-338,064/+288,892	-10,011/+8,555	-371,458/+317,429
LIBOR	+237/-229	-404,636/+390,978	-525/+507	-60,043/+58,016	-728,057/+669,724	-2,136,865/+1,963,471	-2,925,490/+2,691,718
Euribor	+185/-95	-31/+16	-	-	-	-	-

		2021 SAR'000	2021 Sensitivity of equity SAR'000				
Commission rate	Increase (decrease) in basis	Sensitivity of net special commission income	6 months or less	6 to 12 months	1 to 5 years	Over 5 years	Total
SIBOR	+45/-117	-84,303/+219,186	-	-	-16,892/+43,919	-70 /+181	-16,962/+44,100
LIBOR	+69/-78	-78,446/+88,678	-248/+281	-1,278/+1,445	-113,017/+127,755	-256,684/+290,165	-371,227/+419,646
Euribor	+164/-4	+2,404/-59	-	-	-	-	-

The Group manages exposure to the effects of various risks associated with fluctuations in prevailing levels of market special commission rates on its financial position and cash flows. The Board of Directors also sets limits on the level of mismatch of special commission rate re-pricing that may be undertaken, which is monitored by the Treasury unit.

The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-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 special commission rate risk management strategies.

27. Market risk - continued

The tables below summarize the Group's exposure to special commission rate risks as of December 31, 2022 and 2021. Included in the tables are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	2022 SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	721,189	721,189
Balances with SAMA	2,276,000	-	-	-	3,404,069	5,680,069
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	1,108,241	1,108,241
Money market placements	196,460	-	-	-	-	196,460
Investments, net:						
Held at FVTPL	-	-	-	-	13,735	13,735
Held at amortized cost, net	60,092	151,348	1,858,578	4,153,824	-	6,223,842
Held at FVOCI	1,325,045	1,631,823	5,573,966	13,234,935	176,613	21,942,382
Positive fair values of derivatives, net:						
Held for trading	-	-	-	-	292,445	292,445
Held as fair value hedges	-	-	-	-	463,182	463,182
Associated company put option	-	-	-	-	99,191	99,191
CSA / EMIR cash margins	-	-	-	-	(141,815)	(141,815)
Loans and advances, net:						
Commercial and others	23,892,224	25,981,929	2,822,330	237,090	-	52,933,573
Overdrafts	5,324,259	-	-	-	-	5,324,259
Consumer	2,045,235	1,332,580	5,183,863	2,063,688	-	10,625,366
Investments in associates	-	-	-	-	922,985	922,985
Other real estate	-	-	-	-	451,981	451,981
Property, equipment, and right of use assets, net	-	-	-	-	1,212,374	1,212,374
Intangible assets, net	-	-	-	-	428,342	428,342
Other assets, net	-	-	-	-	572,811	572,811
Total	**35,119,315**	**29,097,680**	**15,438,737**	**19,689,537**	**9,725,343**	**109,070,612**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	3,327	3,327
Repurchase agreements	9,929,281	3,047,019	-	-	-	12,976,300
Money market deposits	1,807,659	-	-	-	-	1,807,659
Deposits from SAMA, net	437,434	2,319,280	3,348,470	-	-	6,105,184
Customers' deposits:						
Time	27,233,907	8,351,963	17,810	-	-	35,603,680
Savings	2,739,319	-	-	-	-	2,739,319
Demand	-	-	-	-	27,766,576	27,766,576
Other	-	-	-	-	3,468,951	3,468,951
Negative fair values of derivatives, net:						
Held for trading	-	-	-	-	297,516	297,516
CSA / EMIR cash margins	-	-	-	-	(250,471)	(250,471)
Other liabilities	-	-	-	-	1,762,875	1,762,875
Total equity	**-**	**-**	**-**	**-**	**16,789,696**	**16,789,696**
Total	**42,147,600**	**13,718,262**	**3,366,280**	**-**	**49,838,470**	**109,070,612**
Special commission rate sensitivity-On balance sheet	(7,028,285)	15,379,418	12,072,457	19,689,537	(40,113,127)	-
Special commission rate sensitivity-Off balance sheet	9,076,117	(375,970)	(4,522,919)	(4,177,228)	-	-
Total special commission rate sensitivity gap	2,047,832	15,003,448	7,549,538	15,512,309	(40,113,127)	-
Cumulative special commission rate sensitivity gap	2,047,832	17,051,280	24,600,818	40,113,127	-	-

27. Market risk - continued

	2021 SAR'000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Non commission bearing**	**Total**
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	754,291	754,291
Balances with SAMA	2,290,000	-	-	-	2,888,657	5,178,657
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	2,355,778	2,355,778
Money market placements	3,090,000	-	-	-	-	3,090,000
Investments:						
Held at FVTPL	-	-	-	-	142,656	142,656
Held at FVOCI	1,405,788	2,214,938	7,886,579	16,835,767	356,023	28,699,095
Positive fair values of derivatives, net:						
Held for trading	-	-	-	-	333,092	333,092
Associated company put option	-	-	-	-	163,602	163,602
CSA / EMIR cash margins	-	-	-	-	167,277	167,277
Loans and advances, net:						
Commercial and others	24,487,778	11,435,844	4,990,284	1,497,283	-	42,411,189
Overdrafts	5,406,680	-	-	-	-	5,406,680
Consumer	1,719,735	1,287,736	4,822,946	2,150,065	-	9,980,482
Investments in associates	-	-	-	-	883,700	883,700
Other real estate	-	-	-	-	451,981	451,981
Property, equipment, and right of use assets, net	-	-	-	-	999,548	999,548
Intangible assets, net	-	-	-	-	369,279	369,279
Other assets, net	-	-	-	-	231,997	231,997
Total	**38,399,981**	**14,938,518**	**17,699,809**	**20,483,115**	**10,097,881**	**101,619,304**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,651,827	3,733,922	-	-	-	13,385,749
Money market deposits	1,186,406	1,046,636	-	-	-	2,233,042
Deposits from SAMA, net	2,500,000	-	3,666,655	-	-	6,166,655
Customers' deposits:						
Time	20,104,405	5,024,248	16,554	-	-	25,145,207
Savings	2,147,244	-	-	-	-	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,240,583	2,240,583
Negative fair values of derivatives, net:						
Held for trading	-	-	-	-	330,973	330,973
Held as fair value hedges	-	-	-	-	686,300	686,300
CSA / EMIR cash margins	-	-	-	-	(787,126)	(787,126)
Other liabilities	-	-	-	-	1,810,077	1,810,077
Total equity	**-**	**-**	**-**	**-**	**16,301,475**	**16,301,475**
Total	**35,589,882**	**9,804,806**	**3,683,209**	**-**	**52,541,407**	**101,619,304**
Special commission rate sensitivity-On balance sheet	2,810,099	5,133,712	14,016,600	20,483,115	(42,443,526)	-
Special commission rate sensitivity-Off balance sheet	11,928,848	(1,858,725)	(4,941,580)	(5,128,543)	-	-
Total special commission rate sensitivity gap	14,738,947	3,274,987	9,075,020	15,354,572	(42,443,526)	-
Cumulative special commission rate sensitivity gap	14,738,947	18,013,934	27,088,954	42,443,526	-	-

The off-balance sheet gap position represents the net notional amounts of derivative financial instruments, which are used to manage special commission rate risk.

27. Market risk - continued

ii. Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board of Directors has set limits on currency positions, which are monitored daily. Hedging strategies are also used to ensure that positions and market risks are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as of December 31, 2022 and 2021, on its banking book assets and liabilities and forecasted cash flows. The table depicts the effect of a reasonably possible movement of the currency rates against the SAR based on historical currency rate movements, with other variables held constant, on the consolidated statement of income (due to the change in the fair value of the currency sensitive banking book assets and liabilities). The reasonably possible change is estimated based on the relevant foreign exchange rate movements during the last five years (2018- 2022) (2021: 2017- 2021). A positive effect shows a potential net increase in the consolidated statement of income, whereas a negative effect shows a potential net reduction in the consolidated statement of income.

Currency Exposures as of December 31, 2022	Change in currency rate in %	Effect on Income before provisions for Zakat SAR'000
USD	+0.31/-0.26	+2,484/-2,084
EUR	+18.58/-8.56	-6,707/+3,090
GBP	+15.82/-13.43	+332/-282

Currency Exposures as of December 31, 2021	Change in currency rate in %	Effect on Income before provisions for Zakat SAR'000
USD	+0.42/-0.16	+3,325/-1,266
EUR	+5.70/-12.03	+171/-360
GBP	+4.21/-16.30	+75/-293

iii. Currency position

The Group manages the 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. As of December 31, 2022 and 2021, the Group had the following significant net exposures denominated in foreign currencies:

	2022 SAR '000 Long / (short)	2021 SAR '000 Long / (short)
US Dollar	801,600	791,700
Euro	(36,100)	3,000
Pound Sterling	2,100	1,800
Japanese Yen	600	700
U.A.E Dirham	31,200	47,300
Others	70,600	25,730

27. Market risk - continued

iv. Equity price risk

Equity price risk refers to the risk of a decrease in fair values of equities, mutual funds and other securities in the Group's investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual investments.

The following table depicts the effect on the Group's investments in equities and mutual funds from a reasonably possible change in relevant indices, with other variables held constant, and the related effect on the Group's net income and shareholders' equity as of December 31, 2022 and 2021. The reasonably possible changes in relevant indices are estimated based on the relevant indices movements during the last five years (2018 - 2022) (2021: 2017 - 2021). A positive effect shows a potential increase in consolidated shareholders' equity, whereas a negative effect shows a potential decrease in consolidated shareholders' equity.

	2022		
Market Indices	**Change in equity price %**	**Effect on Income before provisions for Zakat SAR'000**	**Shareholders' equity Effect SAR'000**
TADAWUL	+14.87%/-50.46%	-/-	+25,578/-86,781
Unquoted	+5.00%/-5.00%	+687/-687	+919/-919

	2021		
Market Indices	**Change in equity price %**	**Effect on Income before provisions for Zakat SAR'000**	**Shareholders' equity Effect SAR'000**
TADAWUL	+13.32%/-43.44%	+15,683/-51,159	+61,320/-200,039
Unquoted	+5.00%/-5.00%	+1,244/-1,244	+1,908/-1,908

28. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources, and assets are managed with liquidity in perspective. Management therefore maintains a healthy balance of cash, cash equivalents, and readily marketable securities as of part of its high liquid assets. Management also monitors the asset and liability maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset Liability Committee. A summary report, including any exceptions and remedial actions taken, is submitted regularly to the Asset Liability Committee.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA equal to 7% (2021: 7%) of average demand deposits and 4% (2021: 4%) of average saving and time deposits. In addition to the statutory deposit, the Group also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and balances with SAMA, Saudi Government Development Bonds, or other assets which can be converted into cash within a period not exceeding 30 days. The Group has the ability to raise additional funds through repo facilities with SAMA against Saudi Government Development Bonds up to 98% of the nominal value of Saudi Riyal denominated bonds held.

The Bank has an established Liquidity Risk Appetite that is approved by Board of Directors and that is reviewed monthly through ALCO and with quarterly reports to the Board Risk Committee (BRC). The Risk Appetite statement is based on a range of key monitoring metrics, including the short-term Liquidity Coverage Ratio and the long-term Net Stable Funding Ratio along with Liquidity Gap limits giving due consideration to stress factors relating to both the market in general and Bank specific conditions. The Bank has also established a comprehensive Contingency Funding Plan (CFP) using early warning monitoring metrics to forewarn Senior Management of impending stress and which establishes a clear allocation of roles and clear lines of management responsibility to address any liquidity stress situations.

28. Liquidity risk - continued

a) Contractual maturity profile of assets and liabilities.

The tables below summarize the contractual maturity profile of the Group's assets, liabilities, and equity as of December 31, 2022 and 2021. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date, and do not take into account the effective maturities as indicated by the Group's deposit retention history. The amounts disclosed for derivatives, and commitments and contingencies are not indicative of future payment obligations.

	2022 SAR'000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity / on demand**	**Total**
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	721,189	721,189
Balances with SAMA	2,276,000	-	-	-	3,404,069	5,680,069
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	1,108,241	1,108,241
Money market placements	196,460	-	-	-	-	196,460
Investments, net:						
Held at FVTPL	-	-	-	-	13,735	13,735
Held at amortized cost, net	-	151,348	1,858,578	4,213,916	-	6,223,842
Held at FVOCI	434,230	1,279,257	6,293,602	13,758,680	176,613	21,942,382
Positive fair values of derivatives, net:						
Held for trading	-	292,445	-	-	-	292,445
Held as fair value hedges	-	463,182	-	-	-	463,182
Associated company put option	-	-	-	-	99,191	99,191
CSA / EMIR cash margins	-	(141,815)	-	-	-	(141,815)
Loans and advances, net:						
Commercial and others	15,071,908	16,325,938	16,567,343	4,968,384	-	52,933,573
Overdrafts	5,324,259	-	-	-	-	5,324,259
Consumer	2,046,803	1,342,912	5,195,199	2,040,452	-	10,625,366
Investments in associates	-	-	-	-	922,985	922,985
Other real estate	-	-	-	-	451,981	451,981
Property, equipment, and right of use assets, net	-	-	-	-	1,212,374	1,212,374
Intangible assets, net	-	-	-	-	428,342	428,342
Other assets, net	-	-	-	-	572,811	572,811
Total	**25,349,660**	**19,713,267**	**29,914,722**	**24,981,432**	**9,111,531**	**109,070,612**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	3,327	3,327
Repurchase agreements	9,929,281	3,047,019	-	-	-	12,976,300
Money market deposits	1,807,659	-	-	-	-	1,807,659
Deposits from SAMA, net	437,434	2,319,280	3,348,470	-	-	6,105,184
Customers' deposits:						
Time	25,633,896	8,851,925	1,117,859	-	-	35,603,680
Savings	-	-	-	-	2,739,319	2,739,319
Demand	-	-	-	-	27,766,576	27,766,576
Other	-	-	-	-	3,468,951	3,468,951
Negative fair values of derivatives, net:						
Held for trading	-	297,516	-	-	-	297,516
CSA / EMIR cash margins	-	(250,471)	-	-	-	(250,471)
Other liabilities	1,638,803	124,072	-	-	-	1,762,875
Total equity	**-**	**-**	**-**	**-**	**16,789,696**	**16,789,696**
Total	**39,447,073**	**14,389,341**	**4,466,329**	**-**	**50,767,869**	**109,070,612**
Commitments and contingencies	4,163,993	8,292,426	3,487,451	32,758	-	15,976,628
Derivatives - notional amounts	4,904,497	1,186,940	13,782,560	9,751,620	-	29,625,617

28. Liquidity risk - continued

	2021 SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity / on demand	Total
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	754,291	754,291
Balances with SAMA	2,290,000	-	-	-	2,888,657	5,178,657
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	2,355,778	2,355,778
Money market placements	3,090,000	-	-	-	-	3,090,000
Investments:						
Held at FVTPL	-	-	-	-	142,656	142,656
Held at FVOCI	722,676	2,080,551	8,379,710	17,160,135	356,023	28,699,095
Positive fair values of derivatives, net:						
Held for trading	-	333,092	-	-	-	333,092
Associated company put option	-	-	-	-	163,602	163,602
CSA / EMIR cash margins	-	167,277	-	-	-	167,277
Loans and advances, net:						
Commercial and others	11,559,737	14,174,178	10,131,878	6,545,396	-	42,411,189
Overdrafts	5,406,680	-	-	-	-	5,406,680
Consumer	1,714,578	1,296,861	4,833,859	2,135,184	-	9,980,482
Investments in associates	-	-	-	-	883,700	883,700
Other real estate	-	-	-	-	451,981	451,981
Property, equipment, and right of use assets, net	-	-	-	-	999,548	999,548
Intangible assets, net	-	-	-	-	369,279	369,279
Other assets, net	-	-	-	-	231,997	231,997
Total	**24,783,671**	**18,051,959**	**23,345,447**	**25,840,715**	**9,597,512**	**101,619,304**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,651,827	3,733,922	-	-	-	13,385,749
Money market deposits	1,186,406	1,046,636	-	-	-	2,233,042
Deposits from SAMA, net	2,500,000	-	3,666,655	-	-	6,166,655
Customers' deposits:						
Time	17,504,391	5,024,209	2,616,607	-	-	25,145,207
Savings	-	-	-	-	2,147,244	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,240,583	2,240,583
Negative fair values of derivatives, net:						
Held for trading	-	330,973	-	-	-	330,973
Held as fair value hedges	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	(787,126)	-	-	-	(787,126)
Other liabilities	1,338,654	347,351	124,072	-	-	1,810,077
Total equity	**-**	**-**	**-**	**-**	**16,301,475**	**16,301,475**
Total	**32,181,278**	**10,382,265**	**6,407,334**	**-**	**52,648,427**	**101,619,304**
Commitments and contingencies	4,216,100	6,410,419	2,043,721	44,692	-	12,714,932
Derivatives - notional amounts	2,036,028	3,855,785	13,743,432	11,313,970	-	30,949,215

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash and balances with SAMA, due from banks and other financial institutions, investments, and loans and advances. The Group regularly monitors the maturity profile to ensure adequate liquidity is maintained. The cumulative maturities of commitments and contingencies is disclosed in note 18(c)(i).

28. Liquidity risk - continued

b) Analysis of financial liabilities by remaining undiscounted maturities

The tables below summarize the estimated maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted future repayment obligations. As special commission payment estimates up to the contractual maturities are included in the tables, the totals do not match the amounts included in the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date that the Group could be required to pay and the tables therefore do not reflect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of financial liabilities is as follows:

	2022 SAR'000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed Maturity / on demand**	**Total**
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	3,327	3,327
Repurchase agreements	9,932,880	3,051,437	-	-	-	12,984,317
Money market deposits	1,811,907	-	-	-	-	1,811,907
Deposits from SAMA	525,340	2,365,706	3,434,729	-	-	6,325,775
Customers' deposits:						
Time	25,662,091	8,893,256	1,174,041	-	-	35,729,388
Savings	-	-	-	-	2,739,319	2,739,319
Demand	-	-	-	-	27,766,576	27,766,576
Other	-	-	-	-	3,468,953	3,468,953
Negative fair values of derivatives, net:						
Held for trading	-	297,516	-	-	-	297,516
CSA / EMIR cash margins	-	(250,471)	-	-	-	(250,471)
Total	**37,932,218**	**14,357,444**	**4,608,770**	**-**	**33,978,175**	**90,876,607**
Derivatives	106,796	397,329	1,396,281	858,143	-	2,758,549
Total	**38,039,014**	**14,754,773**	**6,005,051**	**858,143**	**33,978,175**	**93,635,156**

28. Liquidity risk - continued

	2021 SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed Maturity / on demand	Total
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,655,326	3,739,336	-	-	-	13,394,662
Money market deposits	1,189,194	1,056,474	-	-	-	2,245,668
Deposits from SAMA	2,500,000	-	3,960,069	-	-	6,460,069
Customers' deposits:						
Time	17,522,852	5,050,714	2,748,831	-	-	25,322,397
Savings	-	-	-	-	2,147,244	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,270,468	2,270,468
Negative fair values of derivatives, net:						
Held for trading	-	330,973	-	-	-	330,973
Held as fair value hedges	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	(787,126)	-	-	-	(787,126)
Total	**30,867,372**	**10,076,671**	**6,708,900**	**-**	**36,376,837**	**84,029,780**
Derivatives	131,697	474,941	1,600,340	995,629	-	3,202,607
Total	**30,999,069**	**10,551,612**	**8,309,240**	**995,629**	**36,376,837**	**87,232,387**

29. Credit and financial risk management

The Group's Board of Directors is responsible for establishing Corporate Governance processes and approving the Risk Appetite and related risk management framework. It is also responsible for approving and implementing policies to ensure compliance with SAMA guidelines, accounting and reporting standards and best industry practices including Basel guidelines. The Board of Directors has approved the Group's Risk Management Guide Policy as an overarching Risk Policy under which the Group has a suite of policies including a Risk Appetite Framework Policy, Credit Policy Guide, Treasury Policy Guide, Stress Test Policy, Internal Capital Adequacy Assessment Plan Policy, Operational Risk Policy, Fraud Risk Policies, Information Security Policies, among others.

The Board of Directors has also approved the Group's comprehensive IFRS 9 Governance Framework Policy, addressing the Group's IFRS 9 Approach and Methodology Policy, which is supplemented with additional management level policies including an IFRS 9 Data Management and Control Framework Policy, and the IFRS 9 governance framework, along with standard operating and accounting procedures.

The Board of Directors is supported by the Board Risk Committee, a committee of the Board, responsible for recommending policies for Board approval and for monitoring risks within the Group. At the management level, the Group operates various committees including an Enterprise Risk Management Committee, a Credit Committee, and an Asset Liability Committee (ALCO), which are responsible for various areas of risk management. A management level Expected Credit Loss (ECL) Committee linked to the Group's IFRS 9 Governance and Framework Policy also operates which is responsible for all aspects of IFRS 9 including expected credit losses.

Other management level committees include the Operational Risk Management Committee, Stress Testing Committee, Financial Fraud Control Committee, Business Continuity Management Committee, Information Security Steering Committee, and the Structured Solution Approval Committee.

29. Credit and financial risk management - continued

At the departmental level, the Group has a Risk Management Group headed by a Chief Risk Officer who is assisted by assistant general managers in charge of Risk Management, Credit Risk Review, Credit Administration, Collections and other functions.

a) Credit Risk

The Group manages its exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in customer lending activities that lead to loans and advances, and other investment activities. There is also credit risk in off consolidated statement of financial position financial instruments, such as loan commitments and financial guarantee contracts. The Group assesses the Probability of Default (PD) of counterparties using internal rating tools which can be mapped to external ratings where available. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken. The Group assesses wholesale counterparties using the same techniques as for its lending activities to clients.

Concentrations of credit risk arise when several counterparties are engaged in similar business activities, or 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 risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group has a comprehensive Board approved framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Group seeks to control credit risk by monitoring credit exposures, limiting concentration risks, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are regularly monitored. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

b) Credit Risk management

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations, businesses, or economic sectors.

The Group uses a credit classification system as a tool to assist in managing the quality of credit risk within the lending portfolio. It maintains classification grades that differentiate between portfolios and allocates expected credit loss allowances. The Group determines each individual borrower's grade based on specific objective and subjective financial and business assessment criteria covering debt service, profitability, liquidity, capital structure, industry, management quality, and company standing. The Group conducts periodic quality classification exercises over all of its existing borrowers and the results of these exercises are validated by the independent risk management unit established for that purpose. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, external economic environment, emerging best practices, and regulatory guidance.

c) Credit Risk Mitigation ("CRM")

The Group in the ordinary course of lending activities holds collateral as security for Credit Risk Mitigation (CRM) on its loans and advances. The collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets. The collateral is held mainly against commercial and similar loans and is managed against relevant exposures at their net realizable value. Management monitors the market value of collateral, requests additional collateral in accordance with underlying agreements, and assesses the adequacy of the allowance for credit losses. The Group also seeks additional collateral from counterparties when impairment indicators are observed.

29. Credit and financial risk management - continued

(i) The estimated fair value of collateral held as CRM by the Group for total loans and advances is approximately SAR 78.1 billion (2021: SAR 72.2 billion). The amount of real estate, local and international equities and other cash deposits held as CRM for Stage 3 – performing and non-performing exposures is as follows:

	Exposure SAR'000	Credit Risk Mitigation SAR'000	ECL SAR'000
December 31, 2022	**2,512,473**	**1,845,965**	**1,114,398**
December 31, 2021	2,686,721	2,605,039	1,196,969

(ii) The amount of collateral held as security for credit-impaired loans along with collateral coverage as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Less than 50%	13,982	9,679
51% to 70%	426,131	412,059
More than 70%	1,405,852	2,183,301
Total	**1,845,965**	**2,605,039**

(iii) The Group, in the ordinary course of business, acquires real estate against settlement of loans and advances. The Group acquires the real estate with an intention to sell. The real estate acquired is presented as 'Other real estate' in the consolidated statement of financial position. The movement of Other real estate for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Balance at the beginning of the year	451,981	446,678
Acquisitions during the year	-	8,803
Disposals during the year	-	(35,000)
Reversal for real estate losses	-	31,500
Balance at the end of the year	**451,981**	**451,981**

d) Credit Risk disclosures

The Group's credit quality for financial assets and financial guarantee contracts is included in note 29p.

The debt securities included in the investment portfolio are due mainly from corporates, banks, financial institutions, and sovereigns. An analysis of the Group's investments by type of counterparty is included in note 6d.

Information of the credit quality for loans and advances is provided in note 7d.

Economic sector risk concentrations for loans and advances are provided in note 7e.

The Group's credit risk relating to derivative financial instruments is included in notes 11.

An analysis of the Group's financial guarantee contracts by type of counterparty is included in notes 18(c)(ii).

The Group's credit exposure by business segment is included in note 25d.

29. Credit and financial risk management - continued

The Group's distribution of geographic concentration is provided in note 26.

e) Credit analysis of investments held at FVTPL

The Group's investments held at FVTPL are comprised of Mutual fund investments and other securities which are unrated. Refer to note 6c.

f) Credit risk grades

The Group allocates exposures to a credit risk grade based on an array 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 a risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each non-consumer exposure is allocated a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves the use of the following data:

Non-Consumer exposures	Consumer exposures	All exposures
• Information obtained during periodic reviews of customer files – e.g. audited financial statements, management accounts, budgets, and projections. Examples of areas of particular focus include gross profit margins, financial leverage ratios, debt service coverages, compliance with covenants, quality management, and senior management changes. • Data from credit reference agencies, press articles, and changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory, and technological environment of the borrower, or in its business activities	• Internally collected data and customer behavior – e.g. utilization of credit card facilities • External data from credit reference agencies including industry-standard credit scores • Affordability metrics	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Utilization of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

g) Generating the term structure for the Probability of Default (PD)

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures and analyzes the information by type of product and borrower as well as by credit risk grading. For some portfolios, information sourced from external credit reference agencies is also used.

The Group employs models developed based on the analysis of the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time due to the impact of macro-economic factors. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. For most exposures, key macro-economic indicators include GDP growth and oil prices.

29. Credit and financial risk management - continued

Based on a variety of external actual and forecasted information, the Group formulates a base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of the PD term-structures.

The 12 month PD for on and off balance sheet exposures in grades 1 to 6 and unrated exposures range from 0.03% to 7.41% (2021: 0.03% to 7.35%). The 12 month PD for grade 7 – Special Mention is 20.23% (2021: 18.89%).

h) Determining whether credit risk has increased significantly

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 credit assessments, including forward-looking information.

The criteria for determining whether credit risk has increased significantly varies by portfolio and includes quantitative as well as qualitative factors, including a backstop based on delinquency. One of the key quantitative indicators used by the Group is the relative downgrade of the internal rating of a borrower since origination and thereby the consequent change in the PD.

Using credit judgment and, where possible, relevant historical experience, the Group may also 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 for which the effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The qualitative indicators include specific high risk rating grades, cross facility defaults, and renegotiation of loans to customers in financial difficulty (referred to as forbearance).

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 borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in the expected credit loss allowance resulting from transfers between 12-month PD (Stage 1) and lifetime PD (Stages 2 or 3).

The Group uses three main components to measure ECL, which are Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Group has leveraged existing regulatory practices and SAMA guidance to develop the methodology for model inputs which are adjusted when and where necessary to comply with IFRS 9 requirements.

Financial assets and financial guarantee contracts reflecting a significant increase in credit risk are classified in Stage 2 and the Group recognizes loss allowances at an amount equal to lifetime expected credit losses, reflecting a lifetime expected PD that represents the probability of default over the remaining life of the financial asset. The allowances for Stage 2 are higher than for Stage 1, reflecting the impact of a longer time horizon compared to a 12-month horizon used for the allowance in Stage 1.

29. Credit and financial risk management - continued

i) Definition of Default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days.

Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default the Group considers indicators that are:

- qualitative, e.g. breaches of covenants;
- quantitative, e.g. overdue status and non-payment of another obligation of the same borrower; 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. IFRS 9 does not define the term 'default', but instead requires each entity to do so. For financial reporting, the Group has leveraged existing regulatory practices and SAMA definition of default which are adjusted when and where necessary to comply with IFRS 9 requirements.

The Group recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a PD of 100% and recoverable cash flows on the asset. These financial assets are credit impaired and are classified under Stage 3.

j) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to a current or potential credit deterioration of the credit of the customer. An existing loan for which the terms have been modified may be derecognized and the renegotiated loan is recognized as a new loan at fair value in accordance with the Group's policies.

The Group may also renegotiate loans to customers in financial difficulty to maximize collection opportunities and minimize the risk of default. Loan forbearance is granted on a selective basis:

- if there is a high risk of default; or
- if 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 can include extending the maturity, changing the timing of commission and/or principal payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect special commission and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk. A customer needs to demonstrate consistently good payment behavior over a period of time before the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL. The Group considers a period of 12 months as a curing period to move assets from loss allowance measurement at Lifetime ECL (Stage 2 and 3) to a 12-month ECL (Stage 1).

29. Credit and financial risk management - continued

k) Measurement of ECL

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).

These parameters are generally derived from internally developed models and external benchmarks. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on internal rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this can lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated repayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties as well as external benchmarks. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and the net recovery amount of any collateral that is integral to the financial asset. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

The EAD of a financial asset is its gross carrying amount. For lending commitments 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.

As described above and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or financial guarantee.

For retail overdrafts and other facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period which may be longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect. This contractual right may not be enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These can include a reduction in limits, or cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include the instrument type, credit risk rating, time to maturity, collateral type, industry; and geographic location of the borrower. Regular reviews are also conducted to ensure that exposures within a particular portfolio remain appropriately homogeneous.

For portfolios where the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

29. Credit and financial risk management - continued

	PD	LGD
Due from banks and other financial institutions	Moody's default study	SAMA LGD Estimates
Investments	Moody's default study	SAMA LGD Estimates

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime PD at the reporting date with the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

l) Incorporation of forward looking information

Based on a consideration of a variety of external actual and forecasted information, the Group formulates a base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities and selected private sector forecasters.

The current scenario represents a most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group identifies key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and other credit losses.

Predicted relationships between the key indicators and default and loss rates on the portfolios of financial assets and financial guarantee contracts have been developed based on analyzing historical data from 2013 onwards.

Sensitivity of allowance for credit losses:

A sensitivity analysis has been conducted on the macro-economic scenarios including GDP and oil prices in order to assess the potential change in ECL. The following table summarizes the results of this sensitivity analysis as of December 31, 2022 and 2021 showing the effect of more optimistic and more pessimistic scenarios on ECL. The current scenario represents a most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic outcome (25% higher weightage to growth scenarios) and more pessimistic outcome (25% higher weightage to stress scenarios).

2022 SAR '000	Due from banks and other financial institutions	Investments - Debt securities	Loans and advances	Financial guarantee contracts	Other assets – customer and other receivables	Total
Most likely	1,751	10,438	1,804,869	241,688	2,906	2,061,652
More optimistic (Upside)	1,425	9,211	1,751,009	210,196	2,819	1,974,660
More pessimistic (Downside)	1,891	12,158	1,921,551	259,855	3,093	2,198,548

29. Credit and financial risk management - continued

2021 SAR '000	Due from banks and other financial institutions	Investments - Debt securities	Loans and advances	Financial guarantee contracts	Other assets – customer and other receivables	Total
Most likely	8,632	26,185	1,962,615	204,131	2,712	2,204,275
More optimistic (Upside)	7,908	23,991	1,894,361	187,778	2,617	2,116,655
More pessimistic (Downside)	9,016	27,351	2,002,909	212,824	2,767	2,254,867

Predicted relationships between the key indicators and default / loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Forecast macroeconomic data used in ECL model – FY 2022	2023	2024	2025
GDP	3.80%	3.00%	3.00%
Oil Price change	(3.00%)	(10.80%)	(7.1%)

Forecast macroeconomic data used in ECL model – FY 2021	2022	2023	2024
GDP	4.80%	2.80%	2.80%
Oil Price change	3.9%	(14.7%)	(1.1%)

COVID-19 overlays

The economic conditions posed in by COVID-19 required the Group to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of ECL or revisions to the scenario probabilities currently being used by the Group. As the impact of SAMA Deferred Payments Program has still not crystallized on some borrowers, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Group has therefore recognized overlays of SR 43.5 million as of December 31, 2022 (2021: SAR 225.3 million). The Group will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

m) Offsetting financial assets and financial liabilities

The table set out below includes financial assets and financial liabilities as of December 31, 2022 and 2021 that are offset in the Group's consolidated statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

	2022 SAR'000		
	Gross assets / (liabilities) before offset	Offset with gross (assets) / liabilities	Net assets / (liabilities) recognized
Positive fair values of derivatives	1,161,722	(448,719)	713,003
Negative fair values of derivatives	297,516	(250,471)	47,045

29. Credit and financial risk management - continued

	2021 SAR'000		
	Gross assets / (liabilities) before offset	Offset with gross (assets) / liabilities	Net assets / (liabilities) recognized
Positive fair values of derivatives	729,950	(65,979)	663,971
Negative fair values of derivatives	1,017,273	(787,126)	230,147

n) The following table refers to modified financial assets where modification does not result in derecognition:

Financial assets (with loss allowance based on lifetime ECL) modified during the year

	2022 SAR'000	2021 SAR'000
Gross carrying amount before modification	529,140	315,156
Net modification gain / (loss)	-	-
Net amortized cost after modification	**529,140**	**315,156**

29. Credit and financial risk management - continued

o) Reconciliations of gross carrying amounts and allowances for credit losses

Combined – Financial Assets and Financial guarantee contracts

A combined reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for all financial assets and financial guarantee contracts, for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**93,642,597**	**4,537,036**	**2,861,364**	**101,040,997**	**576,288**	**262,844**	**1,161,708**	**2,000,840**
Transfers from Stage 1 to Stage 2	(1,838,938)	1,838,938	-	-	(20,813)	109,356	-	88,543
Transfers from Stage 1 to Stage 3	(133,000)	-	133,000	-	(1,825)	-	65,191	63,366
Transfers from Stage 2 to Stage 1	1,011,468	(1,011,468)	-	-	5,038	(20,400)	-	(15,362)
Transfers from Stage 2 to Stage 3	-	(237,627)	237,627	-	-	(58,856)	114,217	55,361
Transfers from Stage 3 to Stage 1	13,792	-	(13,792)	-	66	-	(4,913)	(4,847)
Transfers from Stage 3 to Stage 2	-	2,822	(2,822)	-	-	520	(1,724)	(1,204)
Post-model overlays	-	-	-	-	(27,245)	47,027	6,660	26,442
Changes in exposures and re-measurements	5,438,919	(238,047)	(78,200)	5,122,672	(80,139)	121,987	(6,089)	35,759
Net movement for the year	4,492,241	354,618	275,813	5,122,672	(124,918)	199,634	173,342	248,058
Write-offs, net	-	-	(44,623)	(44,623)	-	-	(44,623)	(44,623)
Balances as of December 31, 2021	**98,134,838**	**4,891,654**	**3,092,554**	**106,119,046**	**451,370**	**462,478**	**1,290,427**	**2,204,275**
Transfers from Stage 1 to Stage 2	(322,388)	322,388	-	-	(3,408)	15,712	-	12,304
Transfers from Stage 1 to Stage 3	(136,638)	-	136,638	-	(1,316)	-	76,022	74,706
Transfers from Stage 2 to Stage 1	476,717	(476,717)	-	-	3,444	(14,113)	-	(10,669)
Transfers from Stage 2 to Stage 3	-	(497,452)	497,452	-	-	(96,956)	240,275	143,319
Transfers from Stage 3 to Stage 1	32,612	-	(32,612)	-	2,055	-	(32,454)	(30,399)
Transfers from Stage 3 to Stage 2	-	44,917	(44,917)	-	-	3,729	(17,838)	(14,109)
Post-model overlays	-	-	-	-	(47,872)	(66,322)	(67,652)	(181,846)
Changes in exposures and re-measurements	8,855,865	(635,888)	(632,070)	7,587,907	54,898	48,964	68,628	172,490
Net movement for the year	8,906,168	(1,242,752)	(75,509)	7,587,907	7,801	(108,986)	266,981	165,796
Write-offs, net	-	-	(308,419)	(308,419)	-	-	(308,419)	(308,419)
Balances as of December 31, 2022	**107,041,006**	**3,648,902**	**2,708,626**	**113,398,534**	**459,171**	**353,492**	**1,248,989**	**2,061,652**

Due from banks and other financial institutions

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for due from banks and other financial institutions for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**2,169,016**	**928**	**-**	**2,169,944**	**3,092**	**110**	**-**	**3,202**
Changes in exposures and re-measurements	3,284,337	129	-	3,284,466	5,373	57	-	5,430
Balances as of December 31, 2021	**5,453,353**	**1,057**	**-**	**5,454,410**	**8,465**	**167**	**-**	**8,632**
Changes in exposures and re-measurements	(4,147,680)	(278)	-	(4,147,958)	(6,804)	(77)	-	(6,881)
Balances as of December 31, 2022	**1,305,673**	**779**	**-**	**1,306,452**	**1,661**	**90**	**-**	**1,751**

29. Credit and financial risk management - continued

Investments – debt securities

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for debt securities for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**29,959,909**	**-**	**-**	**29,959,909**	**31,385**	**-**	**-**	**31,385**
Changes in exposures and re-measurements	(1,616,837)	-	-	(1,616,837)	(5,200)	-	-	(5,200)
Balances as of December 31, 2021	**28,343,072**	**-**	**-**	**28,343,072**	**26,185**	**-**	**-**	**26,185**
Changes in exposures and re-measurements	(350,635)	-	-	(350,635)	(15,747)	-	-	(15,747)
Balances as of December 31, 2022	**27,992,437**	**-**	**-**	**27,992,437**	**10,438**	**-**	**-**	**10,438**

Total loans and advances

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for total loans and advances for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**50,190,934**	**4,178,376**	**2,452,627**	**56,821,937**	**443,284**	**243,152**	**1,066,370**	**1,752,806**
Transfers from Stage 1 to Stage 2	(1,645,702)	1,645,702	-	-	(15,679)	84,009	-	68,330
Transfers from Stage 1 to Stage 3	(130,078)	-	130,078	-	(1,817)	-	64,899	63,082
Transfers from Stage 2 to Stage 1	953,809	(953,809)	-	-	4,480	(17,217)	-	(12,737)
Transfers from Stage 2 to Stage 3	-	(236,965)	236,965	-	-	(58,811)	113,908	55,097
Transfers from Stage 3 to Stage 1	13,792	-	(13,792)	-	66	-	(4,913)	(4,847)
Transfers from Stage 3 to Stage 2	-	2,303	(2,303)	-	-	501	(1,542)	(1,041)
Post-model overlays	-	-	-	-	(27,245)	47,027	6,660	26,442
Changes in exposures and re-measurements	3,486,350	(430,467)	(72,231)	2,983,652	(61,033)	124,929	(3,790)	60,106
Net movement for the year	2,678,171	26,764	278,717	2,983,652	(101,228)	180,438	175,222	254,432
Write-offs, net	-	-	(44,623)	(44,623)	-	-	(44,623)	(44,623)
Balances as of December 31, 2021	**52,869,105**	**4,205,140**	**2,686,721**	**59,760,966**	**342,056**	**423,590**	**1,196,969**	**1,962,615**
Transfers from Stage 1 to Stage 2	(267,526)	267,526	-	-	(2,095)	11,386	-	9,291
Transfers from Stage 1 to Stage 3	(124,258)	-	124,258	-	(1,220)	-	70,065	68,845
Transfers from Stage 2 to Stage 1	323,094	(323,094)	-	-	1,753	(8,396)	-	(6,643)
Transfers from Stage 2 to Stage 3	-	(422,800)	422,800	-	-	(74,794)	203,314	128,520
Transfers from Stage 3 to Stage 1	32,612	-	(32,612)	-	2,055	-	(32,454)	(30,399)
Transfers from Stage 3 to Stage 2	-	43,505	(43,505)	-	-	3,720	(17,697)	(13,977)
Post-model overlays	-	-	-	-	(47,872)	(66,322)	(67,652)	(181,846)
Changes in exposures and re-measurements	11,933,295	(361,005)	(336,770)	11,235,520	67,522	39,088	70,272	176,882
Net movement for the year	11,897,217	(795,868)	134,171	11,235,520	20,143	(95,318)	225,848	150,673
Write-offs, net	-	-	(308,419)	(308,419)	-	-	(308,419)	(308,419)
Balances as of December 31, 2022	**64,766,322**	**3,409,272**	**2,512,473**	**70,688,067**	**362,199**	**328,272**	**1,114,398**	**1,804,869**

29. Credit and financial risk management - continued

Loans and advances – commercial, overdrafts, and other loans

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for commercial, overdraft, and other loans for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2020	**39,123,659**	**4,028,620**	**2,315,230**	**45,467,509**	**339,866**	**179,679**	**973,035**	**1,492,580**
Transfers from Stage 1 to Stage 2	(1,590,421)	1,590,421	-	-	(14,162)	73,870	-	59,708
Transfers from Stage 1 to Stage 3	(46,077)	-	46,077	-	(65)	-	8,414	8,349
Transfers from Stage 2 to Stage 1	931,892	(931,892)	-	-	2,969	(10,727)	-	(7,758)
Transfers from Stage 2 to Stage 3	-	(227,743)	227,743	-	-	(54,869)	107,626	52,757
Transfers from Stage 3 to Stage 1	9,559	-	(9,559)	-	20	-	(2,255)	(2,235)
Post-model overlays	-	-	-	-	(20,547)	49,863	6,660	35,976
Changes in exposures and re-measurements	4,503,482	(334,594)	7,991	4,176,879	(25,251)	170,230	42,163	187,142
Net movement for the year	3,808,435	96,192	272,252	4,176,879	(57,036)	228,367	162,608	333,939
Write-offs, net	-	-	(12,342)	(12,342)	-	-	(12,342)	(12,342)
Balances as of December 31, 2021	**42,932,094**	**4,124,812**	**2,575,140**	**49,632,046**	**282,830**	**408,046**	**1,123,301**	**1,814,177**
Transfers from Stage 1 to Stage 2	(214,316)	214,316	-	-	(1,346)	3,075	-	1,729
Transfers from Stage 1 to Stage 3	(42,178)	-	42,178	-	(88)	-	17,757	17,669
Transfers from Stage 2 to Stage 1	300,871	(300,871)	-	-	1,300	(4,603)	-	(3,303)
Transfers from Stage 2 to Stage 3	-	(412,761)	412,761	-	-	(73,073)	197,222	124,149
Transfers from Stage 3 to Stage 1	29,442	-	(29,442)	-	1,999	-	(30,867)	(28,868)
Transfers from Stage 3 to Stage 2	-	41,952	(41,952)	-	-	3,198	(16,624)	(13,426)
Post-model overlays	-	-	-	-	(36,881)	(65,949)	(67,652)	(170,482)
Changes in exposures and re-measurements	11,190,596	(329,448)	(300,992)	10,560,156	60,630	45,327	86,768	192,725
Net movement for the year	11,264,415	(786,812)	82,553	10,560,156	25,614	(92,025)	186,604	120,193
Write-offs, net	-	-	(260,106)	(260,106)	-	-	(260,106)	(260,106)
Balances as of December 31, 2022	**54,196,509**	**3,338,000**	**2,397,587**	**59,932,096**	**308,444**	**316,021**	**1,049,799**	**1,674,264**

29. Credit and financial risk management - continued

Loans and advances – consumer loans

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for consumer loans for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**11,067,275**	**149,756**	**137,397**	**11,354,428**	**103,418**	**63,473**	**93,335**	**260,226**
Transfers from Stage 1 to Stage 2	(55,281)	55,281	-	-	(1,517)	10,139	-	8,622
Transfers from Stage 1 to Stage 3	(84,001)	-	84,001	-	(1,752)	-	56,485	54,733
Transfers from Stage 2 to Stage 1	21,917	(21,917)	-	-	1,511	(6,490)	-	(4,979)
Transfers from Stage 2 to Stage 3	-	(9,222)	9,222	-	-	(3,942)	6,282	2,340
Transfers from Stage 3 to Stage 1	4,233	-	(4,233)	-	46	-	(2,658)	(2,612)
Transfers from Stage 3 to Stage 2	-	2,303	(2,303)	-	-	501	(1,542)	(1,041)
Post-model overlays	-	-	-	-	(6,698)	(2,836)	-	(9,534)
Changes in exposures and re-measurements	(1,017,132)	(95,873)	(80,222)	(1,193,227)	(35,782)	(45,301)	(45,953)	(127,036)
Net movement for the year	(1,130,264)	(69,428)	6,465	(1,193,227)	(44,192)	(47,929)	12,614	(79,507)
Write-offs, net	-	-	(32,281)	(32,281)	-	-	(32,281)	(32,281)
Balances as of December 31, 2021	**9,937,011**	**80,328**	**111,581**	**10,128,920**	**59,226**	**15,544**	**73,668**	**148,438**
Transfers from Stage 1 to Stage 2	(53,210)	53,210	-	-	(749)	8,311	-	7,562
Transfers from Stage 1 to Stage 3	(82,080)	-	82,080	-	(1,132)	-	52,308	51,176
Transfers from Stage 2 to Stage 1	22,223	(22,223)	-	-	453	(3,793)	-	(3,340)
Transfers from Stage 2 to Stage 3	-	(10,039)	10,039	-	-	(1,721)	6,092	4,371
Transfers from Stage 3 to Stage 1	3,170	-	(3,170)	-	56	-	(1,587)	(1,531)
Transfers from Stage 3 to Stage 2	-	1,553	(1,553)	-	-	522	(1,073)	(551)
Post-model overlays	-	-	-	-	(10,991)	(373)	-	(11,364)
Changes in exposures and re-measurements	742,699	(31,557)	(35,778)	675,364	6,892	(6,239)	(16,496)	(15,843)
Net movement for the year	632,802	(9,056)	51,618	675,364	(5,471)	(3,293)	39,244	30,480
Write-offs, net	-	-	(48,313)	(48,313)	-	-	(48,313)	(48,313)
Balances as of December 31, 2022	**10,569,813**	**71,272**	**114,886**	**10,755,971**	**53,755**	**12,251**	**64,599**	**130,605**

29. Credit and financial risk management - continued

Financial guarantee contracts

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for financial guarantee contracts for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**11,247,291**	**357,503**	**403,336**	**12,008,130**	**98,240**	**19,579**	**92,735**	**210,554**
Transfers from Stage 1 to Stage 2	(193,236)	193,236	-	-	(5,134)	25,347	-	20,213
Transfers from Stage 1 to Stage 3	(2,922)	-	2,922	-	(8)	-	292	284
Transfers from Stage 2 to Stage 1	57,659	(57,659)	-	-	558	(3,183)	-	(2,625)
Transfers from Stage 2 to Stage 3	-	(662)	662	-	-	(45)	309	264
Transfers from Stage 3 to Stage 2	-	519	(519)	-	-	19	(182)	(163)
Changes in exposures and re-measurements	269,178	192,291	(5,969)	455,500	(19,098)	(2,999)	(2,299)	(24,396)
Net movement for the year	130,679	327,725	(2,904)	455,500	(23,682)	19,139	(1,880)	(6,423)
Balances as of December 31, 2021	**11,377,970**	**685,228**	**400,432**	**12,463,630**	**74,558**	**38,718**	**90,855**	**204,131**
Transfers from Stage 1 to Stage 2	(54,862)	54,862	-	-	(1,313)	4,326	-	3,013
Transfers from Stage 1 to Stage 3	(12,380)	-	12,380	-	(96)	-	5,957	5,861
Transfers from Stage 2 to Stage 1	153,623	(153,623)	-	-	1,691	(5,717)	-	(4,026)
Transfers from Stage 2 to Stage 3	-	(74,652)	74,652	-	-	(22,162)	36,961	14,799
Transfers from Stage 3 to Stage 2	-	1,412	(1,412)	-	-	9	(141)	(132)
Changes in exposures and re-measurements	1,408,743	(274,591)	(295,615)	838,537	9,916	9,953	(1,827)	18,042
Net movement for the year	1,495,124	(446,592)	(209,995)	838,537	10,198	(13,591)	40,950	37,557
Balances as of December 31, 2022	**12,873,094**	**238,636**	**190,437**	**13,302,167**	**84,756**	**25,127**	**131,805**	**241,688**

Other assets – customer and other receivables

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for customer and other receivables, included in other assets, for the years ended December 31, 2022 and 2021 is summarized as follows:

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	**75,447**	**229**	**5,401**	**81,077**	**287**	**3**	**2,603**	**2,893**
Changes in exposures and re-measurements	15,891	-	-	15,891	(181)	-	-	(181)
Balances as of December 31, 2021	**91,338**	**229**	**5,401**	**96,968**	**106**	**3**	**2,603**	**2,712**
Changes in exposures and re-measurements	12,142	(14)	315	12,443	11	-	183	194
Balances as of December 31, 2022	**103,480**	**215**	**5,716**	**109,411**	**117**	**3**	**2,786**	**2,906**

The transfer amounts in the above reconciliations represent the net increase or decrease in the allowance for credit losses as a result of transfers between stages during the years ended December 31, 2022 and 2021.

29. Credit and financial risk management - continued

p) Credit quality analysis

Due from banks and other financial institutions

The following table sets out information about the credit quality of due from banks and other financial institutions as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment grade	1,161,571	-	-	1,161,571	5,360,583	-	-	5,360,583
Non-investment grade	-	779	-	779	91,326	1,057	-	92,383
Unrated	144,102	-	-	144,102	1,444	-	-	1,444
Total	**1,305,673**	**779**	**-**	**1,306,452**	**5,453,353**	**1,057**	**-**	**5,454,410**

Investments – debt securities

The following table sets out information about the credit quality of debt securities as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR'000			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Investment grade	26,552,198	-	-	26,552,198	25,335,758	-	-	25,335,758
Non-investment grade	451,128	-	-	451,128	1,981,149	-	-	1,981,149
Unrated	989,111	-	-	989,111	1,026,165	-	-	1,026,165
Total	**27,992,437**	**-**	**-**	**27,992,437**	**28,343,072**	-	**-**	**28,343,072**

Investment grade securities / counterparties generally have a minimum external rating from approved rating agencies exhibiting minimal to moderate credit risk. Unrated investment securities primarily include Saudi corporate securities.

Total loans and advances

The following table sets out information about the credit quality of total loans and advances as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR'000			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Grade 1 to 6 and unrated	64,766,322	2,657,710	-	67,424,032	52,869,105	3,083,797	-	55,952,902
Grade 7 – Special Mention	-	751,562	-	751,562	-	1,121,343	-	1,121,343
Lifetime ECL credit impaired	-	-	2,512,473	2,512,473	-	-	2,686,721	2,686,721
Total	**64,766,322**	**3,409,272**	**2,512,473**	**70,688,067**	**52,869,105**	**4,205,140**	**2,686,721**	**59,760,966**

Loans and advances – commercial, overdrafts, and other loans

The following table sets out information about the credit quality of commercial, overdrafts, and other loans and advances as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR'000			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Grade 1 to 6 and unrated	54,196,509	2,586,438	-	56,782,947	42,932,094	3,003,469	-	45,935,563
Grade 7 – Special Mention	-	751,562	-	751,562	-	1,121,343	-	1,121,343
Lifetime ECL credit impaired	-	-	2,397,587	2,397,587	-	-	2,575,140	2,575,140
Total	**54,196,509**	**3,338,000**	**2,397,587**	**59,932,096**	**42,932,094**	**4,124,812**	**2,575,140**	**49,632,046**

29. Credit and financial risk management - continued

Refer to note 7(d)(i) for a description of the grading categories for loans and advances.

Loans and advances – consumer loans

The following table sets out information about the credit quality of consumer loans and advances as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Unrated	10,569,813	71,272	-	10,641,085	9,937,011	80,328	-	10,017,339
Lifetime ECL credit impaired	-	-	114,886	114,886	-	-	111,581	111,581
Total	**10,569,813**	**71,272**	**114,886**	**10,755,971**	**9,937,011**	**80,328**	**111,581**	**10,128,920**

Financial guarantee contracts

The following table sets out information about the credit quality of financial guarantee contracts as of December 31, 2022 and 2021:

	2022 SAR'000				2021 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1 to 6 and unrated	12,873,094	140,845	-	13,013,939	11,377,970	544,457	-	11,922,427
Grade 7 – Special Mention	-	97,791	-	97,791	-	140,771	-	140,771
Lifetime ECL credit impaired	-	-	190,437	190,437	-	-	400,432	400,432
Total	**12,873,094**	**238,636**	**190,437**	**13,302,167**	**11,377,970**	**685,228**	**400,432**	**12,463,630**

q) Summary of financial assets and financial liabilities

The following table sets out information about the credit quality of financial guarantee contracts as of December 31, 2022 and 2021:

	2022 SAR'000				
	Amortized cost	Mandatorily at FVTPL	FVOCI –equity securities	FVOCI – debt securities	Total carrying amount
Financial and other assets:					
Cash and balances with SAMA	6,401,258	-	-	-	6,401,258
Due from banks and other financial institutions, net	1,304,701	-	-	-	1,304,701
Investments, net	6,223,842	13,735	176,613	21,765,769	28,179,959
Positive fair values of derivatives, net	-	713,003	-	-	713,003
Loans and advances, net	68,883,198	-	-	-	68,883,198
Other assets, net	572,811	-	-	-	572,811
Total financial and other assets	**83,385,810**	**726,738**	**176,613**	**21,765,769**	**106,054,930**
Financial and other liabilities:					
Due to banks and other financial institutions, net	20,892,470	-	-	-	20,892,470
Customers' deposits	69,578,526	-	-	-	69,578,526
Negative fair value of derivatives, net	-	47,045	-	-	47,045
Other liabilities	1,762,875	-	-	-	1,762,875
Total financial and other liabilities	**92,233,871**	**47,045**	**-**	**-**	**92,280,916**

29. Credit and financial risk management - continued

	2022 SAR'000				
	Amortized cost	Mandatorily at FVTPL	FVOCI –equity securities	FVOCI – debt securities	Total carrying amount
Financial and other assets:					
Cash and balances with SAMA	5,932,948	-	-	-	5,932,948
Due from banks and other financial institutions, net	5,445,778	-	-	-	5,445,778
Investments, net	-	142,656	356,023	28,343,072	28,841,751
Positive fair values of derivatives, net	-	663,971	-	-	663,971
Loans and advances, net	57,798,351	-	-	-	57,798,351
Other assets, net	231,997	-	-	-	231,997
Total financial and other assets	**69,409,074**	**806,627**	**356,023**	**28,343,072**	**98,914,796**
Financial and other liabilities:					
Due to banks and other financial institutions, net	21,792,608	-	-	-	21,792,608
Customers' deposits	61,484,997	-	-	-	61,484,997
Negative fair value of derivatives, net	-	230,147	-	-	230,147
Other liabilities	1,810,077	-	-	-	1,810,077
Total financial and other liabilities	**85,087,682**	**230,147**	**-**	**-**	**85,317,829**

30. Fair values of financial assets and liabilities

a) The Group uses the fair value hierarchy disclosed in note 2dii for determining and disclosing the fair value of financial instruments. The following table shows an analysis of financial assets and liabilities recorded at fair value as of December 31, 2022 and 2021 by level of the fair value hierarchy.

	2022 SAR'000			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL, net	-	613,812	99,191	713,003
Investments at FVOCI	20,748,426	1,189,313	4,643	21,942,382
Investments at FVTPL	-	-	13,735	13,735
Total	**20,748,426**	**1,803,125**	**117,569**	**22,669,120**
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL, net	-	47,045	-	47,045
Total	**-**	**47,045**	**-**	**47,045**

	2021 SAR'000			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL, net	-	500,369	163,602	663,971
Investments at FVOCI	27,157,084	1,528,729	13,282	28,699,095
Investments at FVTPL	117,776	-	24,880	142,656
Total	**27,274,860**	**2,029,098**	**201,764**	**29,505,722**
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL, net	-	230,147	-	230,147
Total	**-**	**230,147**	**-**	**230,147**

30. Fair values of financial assets and liabilities - continued

The total amount of the changes in fair value recognized in the consolidated statement of income for the year ended December 31, 2022 which was estimated using valuation models, is a loss of SAR 64.4 million (2021: a loss of SAR 172.9 million) which primarily relate to changes in the valuation of the associated company put option described in note 11e, which is included in unrealized loss on FVTPL financial instruments.

Level 2 investments include debt securities which are comprised of Saudi corporate and bank securities, and Saudi Arabian Government securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, commission rate options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

Level 3 investments include private equity funds and certain unquoted strategic investments in equities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counter-party or valued at cost in the absence of any such alternative reliable indicative estimate.

Level 3 derivative financial instruments include the embedded derivative put option arising from the existing master agreement entered into by the Bank relating to its investment in an associated company (see note 11e). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

Should the significant estimations of inputs vary by plus or minus 10%, the fair value could increase or decrease by approximately SAR 21.2 million (2021: SAR 33.1 million) due to estimating operating results of the associated company, could increase or decrease by approximately SAR 10.5 million (2021: SAR 14.6 million) due to estimating the detrimental effects on the operating results of the associated company which may arise from an exercize of the option, and could increase or decrease by approximately SAR 12.3 million (2021: SAR 16.1 million) due to estimating the fair value of the underlying investment.

In all respects, the Group's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are prudent to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Bank's estimates of fair value.

30. Fair values of financial assets and liabilities - continued

b) The following table summarizes the movement of the Level 3 fair values for the years ended December 31, 2022 and 2021:

	2022 SAR'000	2021 SAR'000
Fair values at the beginning of the year	201,764	397,016
Net change in fair value	(82,907)	(195,252)
Sales during the year	(1,288)	-
Fair values at the end of the year	117,569	201,764

c) The following table summarizes the estimated fair values of financial assets and financial liabilities as of December 31, 2022 and 2021 that are not carried at fair value in the consolidated statement of financial position, along with the comparative carrying amounts for each.

December 31, 2022	Carrying values SAR'000	Estimated fair values SAR'000
Financial assets:		
Due from banks and other financial institutions, net	1,304,701	1,304,701
Investments – held at amortized cost	6,223,842	5,965,667
Loans and advances, net	68,883,198	66,342,387
Total	**76,411,741**	**73,612,755**
Financial liabilities:		
Due to banks and other financial institutions, net	20,892,470	20,892,470
Customers' deposits	69,578,526	68,939,563
Total	**90,470,996**	**89,832,033**

December 31, 2021	Carrying values SAR'000	Estimated fair values SAR'000
Financial assets:		
Due from banks and other financial institutions, net	5,445,778	5,445,778
Investments – held at amortized cost	57,798,351	58,638,152
Loans and advances, net	63,244,129	64,083,930
Total	**76,411,741**	**73,612,755**
Financial liabilities:		
Due to banks and other financial institutions, net	21,792,608	21,792,608
Customers' deposits	61,484,997	59,978,185
Total	**83,277,605**	**81,770,793**

30. Fair values of financial assets and liabilities - continued

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customers' deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class. Fair value estimates for loans and advances, net and customers' deposits are considered as level 3 in the fair value hierarchy. The estimated fair values of investments, held at amortized cost, amounting to SAR 5,536.8 million and SAR 428.9 million are considered as level 1 and level 2 respectively in the fair value hierarchy.

The fair values of other financial instruments that are not carried in the consolidated statement of financial position at fair value are not significantly different from the carrying values. The fair values of term loans, due from banks and other financial institutions and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the special commission rates at initial recognition, and because of the short duration of due from banks and other financial institutions.

31. Related party transactions

a) In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2021, SAMA issued an update to its Principles of Corporate Governance for Financial Institutions operating in Saudi Arabia and during 2022, SAMA issued rules on Banks exposures to Related Parties. These updates specify the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's related party identification and disclosure of transactions complies with the guidelines issued by SAMA, and has been approved by the Bank's Board of Directors. These guidelines include the following definitions of related parties:

- Management of the Bank, their relatives and/or their affiliated entities;
- Principal shareholders of the Bank and/or their relatives;
- Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives;
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank; and
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, CEO, GMs, their deputies, CFO, Managers of key departments, officers of risk management, Internal audit, and Compliance functions, and similar positions in the Bank, in addition to incumbents of any other positions determined by SAMA.

Principal shareholders include those owners of record of more than five percent of the Bank's voting ownership and/or voting interest of the Bank.

Relatives include spouses, children, parents, grandparents, siblings, grandchildren, and offspring to whom a member of management of either the Bank, principal shareholder, or affiliate, might control or influence or by whom they might be controlled or influenced, because of the family relationship.

31. Related party transactions - continued

b) The balances as of December 31, 2022 and 2021, resulting from such transactions included in the consolidated statement of financial position are as follows:

	2022 SAR'000	2021 SAR'000
Management of the Bank, their relatives and/or their affiliated entities:		
Loans and advances	248,303	598,381
Customers' deposits	2,134,535	2,407,677
Tier I Sukuk	25,300	7,000
Commitments and contingencies	508,353	336,634
Investments	607,740	413,118
Principal shareholders of the Bank and/or their relatives:		
Customers' deposits	3,823,077	1,714,130
Tier I Sukuk	50,000	30,000
Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives:		
Loans and advances	1,805,981	893,330
Customers' deposits	442,785	268,390
Tier I Sukuk	12,000	3,000
Commitments, contingencies and derivatives	277,259	100,050
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:		
Customers' deposits and other liabilities	303,092	329,567

c) Income and expense for the years ended December 31, 2022 and 2021, pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	2022 SAR'000	2021 SAR'000
Management of the Bank and/or members of their immediate family:		
Special commission income	31,582	18,774
Special commission expense	35,745	6,003
Fee income from banking services	42	138
Other expenses	82,567	15,719
Principal shareholders of the Bank and/or members of their immediate family:		
Special commission expense	90,099	4,583
Rent and premises-related expenses (Building rental)	7,758	7,758
Other expenses	-	4,587
Affiliates of the Bank and entities for which the investment is accounted for using the equity method of accounting:		
Special commission income	142,749	30,452
Special commission expense	2,692	397
Fee income from banking services	1,019	433
Other income	7,999	5,320
Other expenses	16,215	16,702
Board of Directors and other Board Committee member remuneration	9,183	8,281

31. Related party transactions - continued

All related party transactions are conducted on terms approved by the management.

The total amount of compensation charged or paid to key management personnel during the year is included in note 22a.

32. Capital adequacy

a) The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern, and to maintain a strong capital base.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments, and notional amounts of derivatives, at a weighted amount to reflect their relative risk.

The following table summarizes the Bank's Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and corresponding Capital adequacy ratio percentages as of December 31, 2022 and 2021.

	2022 SAR'000	2021 SAR'000
Credit Risk RWA	89,789,240	79,052,694
Operational Risk RWA	5,410,981	5,091,578
Market Risk RWA	3,010,686	1,021,036
Total Pillar- I RWA	**98,210,907**	**85,165,308**
Tier I Capital	17,319,772	17,105,736
Tier II Capital	574,960	644,436
Total Tier I plus II Capital	**17,894,732**	**17,750,172**
Capital Adequacy Ratios:		
Tier I Ratio	17.64%	20.09%
Tier I plus Tier II Ratio	18.22%	20.84%

The Tier I and Tier II capital as of December 31, 2022 and 2021 is comprised of the following:

	2022 SAR'000	2021 SAR'000
Total Equity	16,789,696	16,301,475
IFRS 9 five-year transitional adjustment	548,371	822,556
Goodwill adjustment	(18,295)	(18,295)
Tier I Capital	**17,319,772**	**17,105,736**
Qualifying general provisions, net	574,960	644,436
Tier II Capital	**574,960**	**644,436**
Tier I plus Tier II Capital	**17,894,732**	**17,750,172**

31. Related party transactions - continued

Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

As of December 31, 2022 and 2021, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III. The Tier I plus Tier II Ratio as of December 31, 2022 was maintained at 18.22% (2021: 20.84%).

SAMA under its circular no. 391000029731 dated 15 Rabi Al Awwal 1439H (corresponding to December 3, 2017) on the ECL accounting transitional arrangement for regulatory capital, allowed banks to transition the Day 1 impact of IFRS 9 on regulatory capital over five years by using a dynamic approach to reflect the impact of the transition.

In April 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". Under the guidance, banks have been allowed to add-back up to 100% of the Day 1 impact of IFRS 9 as a transitional adjustment amount to Common Equity Tier 1 (CET1) for the two year periods comprising 2020 and 2021. The add-back amount is then required to be phased-out on a straight-line basis over the subsequent 3 years. In this respect, the Group had opted to apply the transitional adjustment, and had included the Day 1 impact of IFRS 9 in its Tier I regulatory capital. As a result, the IFRS 9 transitional adjustment add back amounted to SAR 548.3 million as of December 31, 2022 and SAR 822.5 million as of December 31, 2021.

b) The following additional disclosures are required under the Basel III framework.

- Pillar III, Qualitative disclosures (Annually)
- Pillar III, Quantitative disclosures (Annually/Semi-annually)
- Pillar III, Quantitative / Qualitative disclosures (Quarterly)

These disclosures are made available to the public on the Bank's website within the prescribed time frames as required by SAMA.

33. Asset management and brokerage services

The Group offers investment services to its customers, through a subsidiary, which includes management of investment funds in consultation with professional investment advisors, with assets under management totalling SAR 28,195 million (2021: SAR 29,412 million). This includes funds managed under Shariah approved portfolios amounting to SAR 8,963 million (2021: SAR 7,729 million).

34. Employee end of service benefits

a) The actuarial obligation amounts recognized in the consolidated statement of financial position which is included in other liabilities and the corresponding movement during the years ended December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Actuarial obligation at the beginning of the year	193,747	202,444
Current service and net interest cost	43,978	19,346
Benefits paid	(13,877)	(26,258)
Effect of changes in actuarial assumptions	(16,547)	(1,785)
Actuarial obligation at the end of the year (note 14a)	207,301	193,747

34. Employee end of service benefits - continued

b) The principal actuarial assumptions used in the calculation of the actuarial obligations as of December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate	4.69%	3.09%
Expected rate of salary increment	2.00%	2.00%
Normal retirement age (years)	60	60

c) Should the above actuarial assumptions change in the future, the actuarial obligation could be higher or lower. The table below illustrates the sensitivity of the actuarially determined obligation as of December 31, 2022 and 2021 to the discount rate of 4.69% as of December 31, 2022 (2021: 3.09%), and the salary increment rate of 2.00% as of December 31, 2022 (2021: 2.00%).

	2022			2021		
	Impact on actuarially determined obligation Increase (Decrease)			Impact on actuarially determined obligation Increase (Decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
Discount rate	10%	(5,147)	2,399	10%	(4,519)	4.981
Salary increment rate	10%	3,981	(1,247)	10%	3,210	(1,910)

The above sensitivity analyses is based on a change in a single assumption holding other assumptions constant.

d) The approximate expected maturity analysis of the undiscounted actuarially determined obligation as of December 31, 2022 and 2021 is as follows:

	2022 SAR'000	2021 SAR'000
Less than one year	19,855	13,214
One to two years	269	959
Two to five years	27,976	8,142
Over five years	241,002	230,326
Total	**289,102**	**252,641**

e) The weighted average duration of the actuarially determined obligation is approximately 7.2 years (2021: 6.7 years).

35. Tier I Sukuk

The Bank completed the establishment of a Shari'a compliant Tier I Sukuk Program (the Program) in 2016 and 2022. The Program was approved by the Bank's regulatory authorities. The following tranches of Tier I Sukuk issued under the program on the dates indicated below are outstanding as of December 31, 2022 and 2021:

	2022 SAR'000	2021 SAR'000
June 6, 2017	-	285,000
March 21, 2018	1,000,000	1,000,000
April 15, 2019	215,000	215,000
June 29, 2022	2,000,000	-
Total	**3,215,000**	**1,500,000**

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

The applicable profit rate on the Tier I Sukuk is payable on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such a non-payment event or non-payment election are not considered to be an event of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

36. Treasury shares

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (JP Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million, exclusive of transaction costs and estimated tax. The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury shares purchased include transaction costs and estimated tax for a total cost of SAR 787.5 million.

On November 29, 2018, the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd. (Mizuho), to purchase another 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated Tax. The Bank received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab, 1440H, corresponding to March 28, 2019. On May 28, 2019, the Bank completed the purchase. The Treasury shares purchased include transaction costs for a total cost of SAR 253.5 million.

The share capital of the Bank was not reduced as a result of these transactions with the cost of the shares purchased totaling SAR 1,041.1 million presented as a reduction of shareholders' equity.

During the year ended December 31, 2021, the Bank issued all of the treasury shares by the way of right shares and rump offering. The total proceeds from the sale of treasury shares amounted to SAR 1.03 billion, exclusive of transaction costs.

37. Operating expenses

a) Provisions for credit and other losses for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Provisions for credit losses:		
Due from banks and other financial institutions (note 5b)	(6,881)	5,430
Investments (note 6e)	(15,747)	(5,200)
Loans and advances (note 7c)	150,673	254,432
Financial guarantee contracts (note 14b)	37,557	(6,423)
Other assets (note 10b)	194	(181)
Provisions for credit losses	**165,796**	**248,058**
Provisions for real estate and other losses	25,773	23,008
Provisions for credit and other losses	**191,569**	**271,066**

b) Other general and administrative expenses for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022 SAR'000	2021 SAR'000
Professional and other related services	135,983	90,315
Communications	65,714	52,392
Advertising and contributions	68,014	39,712
Postal, shipping and supplies	31,716	23,605
Licenses and Subscriptions	33,499	25,404
Others	127,965	130,183
	462,891	**361,611**

38. Analysis of changes in financing during the year

A reconciliation from the opening to the closing balances of the liabilities and equity due to changes in cash flows arising from financing activities for the years ended December 31, 2022 and 2021 is summarized as follows:

		Liabilities SAR '000	Equity SAR '000		
	Note	**Term loans**	**Treasury shares**	**Tier I Sukuk**	**Total**
Balances as of December 31, 2020		**2,006,169**	**(1,041,067)**	**2,000,000**	**958,933**
Issuance of Treasury shares	36	-	1,041,067	-	1,041,067
Redemption of Tier I Sukuk	35	-	-	(500,000)	(500,000)
Repayment of Term loan		(2,000,000)	-	-	-
Special commission expense	19	16,725	-	-	-
Special commission paid		(22,894)	-	-	-
Net movement during the year		(2,006,169)	1,041,067	(500,000)	541,067
Balances as of December 31, 2021		**-**	**-**	**1,500,000**	**1,500,000**
Redemption of Tier I Sukuk	35	-	-	(285,000)	(285,000)
Issuance of Tier I Sukuk	35	-	-	2,000,000	2,000,000
Net movement during the year		-	-	1,715,000	1,715,000
Balances as of December 31, 2022		**-**	**-**	**3,215,000**	**3,215,000**

39. Prospective changes to the International Financial Reporting Framework

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2023.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements, on classification of liabilities	These narrow-scope amendments to IAS 1 Presentation of financial statements, clarify that liabilities are classified as either current or 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 January 1, 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require entities to recognize 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 January 1, 2023

34. Employee end of service benefits - continued

Standard, interpretation, amendments	Description	Effective date
IFRS 17 Insurance contracts, as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after January 1, 2023

40. IBOR ("Interbank Offer Rate") Transition - Interest 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 December 31, 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 through its borrowings under Repurchase Agreements, loans and advances and Special commission rate instruments used for hedging purposes. The following table contains details of all of the financial instruments that the Group holds as of December 31, 2022 which reference USD LIBOR:

	2022 USD million
Measured at amortized cost:	
Loans and advances	1,486
Measured at FVOCI:	
Investments	47
Measured at FVTPL:	
Derivatives – notional amount	3,510

As of December 31, 2022, the Group does not hold any financial assets or liabilities that reference GBP or EUR LIBOR.

Notes to the consolidated financial statements (continued)

For the years ended December 31, 2022 and 2021

41. Comparative Figures

Certain prior year amounts have been reclassified to conform to current year presentation. A summary of reclassifications made to the consolidated statement of financial position as of December 31, 2021 and consolidated statement of income for the year then ended is as follows:

(a) Consolidated Statement of Financial Position

		Previously Reported SAR'000	Adjustment SAR'000	Reclassified Amount SAR'000
ASSETS				
Cash and balances with SAMA	(i)	5,901,679	31,269	5,932,948
Due from banks and other financial institutions, net		5,445,778	-	5,445,778
Investments, net		28,841,751	-	28,841,751
Positive fair values of derivatives, net		663,971	-	663,971
Loans and advances, net	(ii)	57,803,114	(4,763)	57,798,351
Investments in associates		883,700	-	883,700
Other real estate		451,981	-	451,981
Property, equipment, and right of use assets, net		999,548	-	999,548
Intangible assets, net	(iii)	350,984	18,295	369,279
Other assets, net	(ii),(iii)	245,529	(13,532)	231,997
Total assets		**101,588,035**	**31,269**	**101,619,304**
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions, net		21,792,608	-	21,792,608
Customers' deposits	(iv)	61,514,882	(29,885)	61,484,997
Negative fair values of derivatives, net		230,147	-	230,147
Other liabilities	(i), (iv)	1,748,923	61,154	1,810,077
Total liabilities		**85,286,560**	**31,269**	**85,317,829**
Equity				
Share capital		7,500,000	-	7,500,000
Statutory reserve		2,999,000	-	2,999,000
Other reserves		562,063	-	562,063
Retained earnings		715,412	-	715,412
Proposed dividend		525,000	-	525,000
Proposed bonus shares issuance		2,500,000	-	2,500,000
Shareholders' equity		14,801,475	-	14,801,475
Tier I Sukuk		1,500,000	-	1,500,000
Total equity		**16,301,475**	**-**	**16,301,475**
Total liabilities and equity		**101,588,035**	**31,269**	**101,619,304**

(i) Certain cash management accounts netted off with Cash and Balances with SAMA were reclassified to Other liabilities.
(ii) Certain receivables from retail customers and their corresponding provision amounts were reclassified from Loans and Advances, net to Other assets, net.
(iii) Goodwill amounting to SR 18.29 million was reclassified from Other Assets to Intangible assets.
(iv) Certain accounts pertaining to dividends and other payables were reclassified from Customers' deposits to Other liabilities.

34. Employee end of service benefits - continued

(b) Consolidated Statement of Income

		Previously Reported SAR '000	Adjustment SAR'000	Reclassified Amount SAR'000
Special commission income	(i)	2,812,644	7,348	2,819,992
Special commission expense	(ii)	452,930	14,664	467,594
Net special commission income		**2,359,714**	**(7,316)**	**2,352,398**
Fee income from banking services, net	(i)	333,771	(7,348)	326,423
Exchange income, net		161,725	-	161,725
Unrealized loss on FVTPL financial instruments, net		(182,991)	-	(182,991)
Realized gain on FVTPL financial instruments, net		6,867	-	6,867
Gains on disposals of FVOCI debt securities, net		74,106	-	74,106
Other income		14,520	-	14,520
Total operating income		**2,767,712**	**(14,664)**	**2,753,048**
Salaries and employee-related expenses		687,382	-	687,382
Rent and premises related expenses	(iii)	137,745	(68,164)	69,581
Depreciation and amortization		150,949	-	150,949
Other general and administrative expenses	(ii),(iii)	308,111	53,500	361,611
Operating expenses before provisions for credit and other losses		**1,284,187**	**(14,664)**	**1,269,523**
Provisions for credit and other losses		271,066	-	271,066
Total operating expenses		**1,555,253**	**(14,664)**	**1,540,589**
Operating income		**1,212,459**	**-**	**1,212,459**
Share in earnings of associates		54,808	-	54,808
Income before provisions for Zakat		**1,267,267**	**-**	**1,267,267**
Provisions for Zakat		205,611	-	205,611
Net income		**1,061,656**	**-**	**1,061,656**

(i) Certain fee amounts which are integral part of Effective Interest Rate were reclassified from Fee income from banking services, net to Special commission income.
(ii) Expenses pertaining to Deposit Insurance Premium Fund were reclassified from Other general and administrative expenses to Special commission expense.
(iii) Certain expenses pertaining to technical services on Information Technology Intangible assets, net were reclassified from Rent and premises related expenses to Other general and administrative expenses.

There was no impact of such reclassifications on the consolidated statement of changes in equity for the year ended December 31, 2022. These reclassifications did not have a material impact on the consolidated statement of financial position as of the beginning of the earliest comparative period i.e. January 1, 2021 and consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2021.

42. Events after the reporting date

Subsequent to the year ended December 31, 2022, the Bank has completed the offer of the second tranche of Tier I Sukuk amounting to SAR 500 million. The settlement of Sukuk issuance was on February 6, 2023.

There were no other events after the reporting date which require disclosure or adjustment to these consolidated financial statements.

43. Board of Director's approval

These consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2023 corresponding to Sha'ban 13, 1444H.

ANNEXES

07

GRI CONTENT INDEX
IN ACCORDANCE

CONTENT INDEX
ESSENTIALS SERVICE
2023

Statement of use	The Saudi Investment Bank has reported in accordance with the GRI Standards for the period 1 January to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021

For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report.
The service was performed on the English version of the report.

GRI standard	Disclosure	Location
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Pages 20-22 (A brief profile)
	2-2 Entities included in the organization's sustainability Reporting	Page 6 (About this report)
	2-3 Reporting period, frequency and contact point	Pages 6-7 (About this report)
	2-4 Restatements of information	There are no restatements of information from the previous year.
	2-5 External assurance	This report has not been externally assured.
	2-6 Activities, value chain and other business relationships	Pages 20-22 (A brief profile)
	2-7 Employees	Pages 102-103 (Headcount)
	2-8 Workers who are not employees	Page 103 (Headcount)
	2-9 Governance structure and composition	Pages 124-125 (Board committees and their composition)
	2-10 Nomination and selection of the highest governance body	Page 125 (The Nomination and Remuneration Committee)
	2-11 Chair of the highest governance body	Page 26 (Board of Directors)
	2-12 Role of the highest governance body in overseeing the management of impacts	Pages 124-125 (Corporate Governance)
	2-13 Delegation of responsibility for managing impacts	Pages 124-130 (Corporate Governance)
	2-14 Role of the highest governance body in sustainability Reporting	The Board is responsible for approving this report before publication.
	2-15 Conflicts of interest	Pages 236-239 (31. Related party transactions)
	2-16 Communication of critical concerns	Pages 124-125 (Board committees and their composition)
	2-17 Collective knowledge of the highest governance body	Pages 24-26 (Board of Directors)
	2-18 Evaluation of the performance of the highest governance body	Page 126 (Performance of the Board of Directors)
	2-19 Remuneration policies	Pages 129-130 (Director and Senior Executive remuneration)

GRI standard	Disclosure	Location
	2-20 Process to determine remuneration	Pages 199 (Director and Senior Executive remuneration)
	2-21 Annual total compensation ratio	The Saudi Investment Bank does not report its total compensation ratio at this stage.
	2-22 Statement on sustainable development strategy	Pages 16-17 (Letter from the Chairman)
	2-23 Policy commitments	Pages 30-31 (Saudi Vision 2030)
	2-24 Embedding policy commitments	Pages 29-31 (Our sustainability framework; Saudi Vision 2030)
	2-25 Processes to remediate negative impacts	Pages 114-121 (Social and environmental capital)
	2-26 Mechanisms for seeking advice and raising concerns	Board of Directors Report: pages 135 (Compliance Group) Page 108 (Grievance Policy)
	2-27 Compliance with laws and regulations	Page 135 (Compliance Group)
	2-28 Membership associations	Page 113 (Affiliations)
	2-29 Approach to stakeholder engagement	Page 34 (Our key relationships)
	2-30 Collective bargaining agreements	Not applicable to The Saudi Investment Bank
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 48 (Our material risks and opportunities)
	3-2 List of material topics	The Saudi Investment Bank's material topics are listed as follows: • The evolving macro-economic environment • Changing customer expectations • Employee satisfaction and engagement • Digitalization and automation • Social responsibility
The evolving macro-economic environment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 50-53 (Our strategic framework)
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	Pages 60-73 (Financial capital)
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	Page 73 (Micro, Small and Medium Enterprises (MSME) performance 2022 Pages 119-121 (Social responsibility)
	203-2 Significant indirect economic impacts	Page 73 (Micro, Small and Medium Enterprises (MSME) performance 2022 Pages 119-121 (Social responsibility)

GRI standard	Disclosure	Location
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	Pages 110-112 (Suppliers)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 133 (Anti-Fraud, Anti-Bribery and Corruption)
	205-2 Communication and training about anti-corruption policies and procedures	Page 109 (Embedding ethics in our culture)
Changing customer expectations		
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 88-100 (Customer capital)
Employee satisfaction and engagement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 102-109 (Employee capital)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 103 (Headcount)
	401-3 Parental leave	Page 105 (Parental leave)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Page 108 (Occupational health and safety)
	403-5 Worker training on occupational health and safety	Page 107 (Training (Percentage of training hours per subject))
	403-9 Work-related injuries	Page 108 (Occupational health and safety)
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Pages 106-107 (Learning and development)
	404-2 Programs for upgrading employee skills and transition assistance programs	Pages 106-107 (Learning and development)
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Pages 103 (Headcount)
	405-2 Ratio of basic salary and remuneration of women to men	Page 104 (Male-female salary ratio)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported in 2022.
Digitalization and automation		
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 80-81 (Digital transformation) Page 131-134 (Risk management) Page 133 (Cybersecurity risk)
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 100 (Protecting customers' personal information)

GRI standard	Disclosure	Location
Social responsibility		
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 114-121 (Social and environmental capital)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Pages 116-117 (Energy consumption and emissions)
	302-4 Reduction of energy consumption	Pages 116-117 (Energy consumption and emissions)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 118 (Water consumption and expenditure)
	303-5 Water consumption	Page 118 (Water consumption and expenditure)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Pages 116-117 (Energy consumption and emissions)
	305-2 Energy indirect (Scope 2) GHG emissions	Pages 116-117 (Energy consumption and emissions)
	305-5 Reduction of GHG emissions	Pages 116-117 (Energy consumption and emissions)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Page 117 (Paper usage and recycling)
	306-2 Management of significant waste-related impacts	Page 117 (Paper usage and recycling)
	306-3 Waste generated	Page 117 (Paper usage and recycling)
	306-4 Waste diverted from disposal	Page 117 (Paper usage and recycling)
	306-5 Wasted directed to disposal	Page 117 (Paper usage and recycling)
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 119-121 (Social responsibility)

ACRONYMS

B/S	Balance sheet
BCM	Business continuity management
BCP	Business continuity plan
BI	Business intelligence
BMS	Building Management System
B2B	Business-to-business
CMA	Capital Markets Authority of Saudi Arabia
CDM	Cash deposit machine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CCTV	Closed-circuit television
CSR	Corporate social responsibility
CTF	Counter-terrorism financing
CX	Customer experience
DDA	Demand deposit account
DRC	Disaster recovery center
EMDE	Emerging market and developing economy
EMS	Environmental Management System
ESG	Environmental, Social and Governance
ECL	Expected credit losses
FATF	Financial Action Task Force
FATCA	Foreign Account Tax Compliance Act
GAZT	General Authority of Zakat and Tax
GRI	Global Reporting Initiative
GDP	Gross domestic product
IT	Information technology
IR	Integrated Annual Report
ITM	Interactive teller machine
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ITG	IT Group
KPI	Key performance indicator
KSA	Kingdom of Saudi Arabia
KYC	Know Your Customer
KUWT	Kuwait
LCR	Liquidity coverage ratio
LDR	Loan-to-deposit ratio
LIBOR	London Inter-Bank Offered Rate
MDC	Main data center
MA	Master of Arts degree
MPA	Master of Public Administration degree

MSME	Micro, small and medium enterprises
NCA	National Cybersecurity Authority
NPS	Net promoter score
OECD	Organization for Economic Co-operation and Development
PSPR	Payment Services Provider Regulator
PFM	Personal finance management
PESTEL	Political, Economic, Social, Technological, Environmental, Legal
PI	Public institutions
PMI	Purchasing managers index
RETT	Real-estate transactions tax
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Arabian Money Authority
SDAIA	Saudi Data and Artificial Intelligence
SIDF	Saudi Industrial Development Fund
SOCPA	Saudi Organization for Certified Public Accountants
SAR	Saudi Riyal
SLA	Service level adherence
SME	Small and medium enterprises
SNB	Special needs branch
S&P	Standard and Poor
SMDS	Sustainability Management Dashboard System
USA	United States of America
VAT	Value-added tax
VDI	Virtual desktop infrastructure
YOY	Year-on-year
ZAKAT	Zakat, Tax and Customers Authority

CORPORATE INFORMATION

Name
The Saudi Investment Bank

Commercial registration
1010011570

Registered logo

Legal form
The Saudi Investment Bank (the Bank), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, (corresponding to June 23, 1976) in the Kingdom of Saudi Arabia.

Stock exchange listing
The shares of the Bank are listed on the Saudi Stock Exchange (Tadawul)

Auditors
Ernst & Young Co.
KPMG Al Fozan & Partners

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PDF version
www. saib.com.sa/integratedreport2022

Subsidiary and associate companies

Name of Subsidiary	Country of operation	Country of establishment
Alistithmar for Financial Securities and Brokerage Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Investment Real Estate Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SAIB Markets Limited Company	Kingdom of Saudi Arabia	Cayman Islands
Name of Associate	**Country of operation**	**Country of establishment**
Yanal Finance Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Orix Leasing Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Amlak International for Finance and Real Estate Development Co.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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