

annual report 2023

مصرف الراجحي
alrajhi bank



unbank the bank



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



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



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



مصرف الراجحي
alrajhi bank



unbank the bank



Over the years, we have been strategically nurturing an ecosystem of services beyond our core banking offering at Al Rajhi, to create new sources of value and financial security for YOU, our stakeholder. Discovering this broader set of capabilities by "unbanking" the bank, we have expanded our own horizons, ready and equipped to enter a new era that fulfills a growing spectrum of banking needs in one, integrated experience.

And there YOU are, at the very heart of our growing ecosystem...

contents

06

overview

- About the Report 06
- This is Al Rajhi Bank 08
- Value Drivers: 2023 at a Glance 14
- Five-year Summary 17
- Chairman's Statement 18
- Managing Director and Chief Executive Officer's Review 22

29

context

- Value Creation Model 30
- Operating Context 33
- Stakeholders 39
- Materiality 44
- Strategic direction 46



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

<https://www.alrajhibank.com.sa/ir23/index.html>

53

business in perspective

- Chief Financial Officer Review 2023 Performance 54
- Business Portfolio Review 60
 - Retail Banking Group 60
 - Corporate Banking Group 65
 - Treasury Group 69
 - MSME Business 73
- Subsidiaries and International Branches 76
 - Al Rajhi Capital 77
 - Tuder Real Estate Company 81
 - Neoleap 85
 - Emkan Finance 89
 - Ejada Systems 91
 - Tanfeeth 95
 - Al Rajhi Bank – Malaysia 97
 - Al Rajhi Bank – Jordan 101
 - Al Rajhi Bank – Kuwait 104
- Human Resources 107
- Marketing and Customer Experience 122
- Shared Services Group 132
- Digital Footprint and Technology Transformation 138
- Sharia Group 142

contents

145

ESG report

167

corporate governance

Board of Directors 168
Executive Management 174
Chief Executive Officers of
Subsidiaries 178
Governance 181
Risk Management 217

225

financial statements

Independent Auditors' Report 226
Consolidated Statement of
Financial Position 232
Consolidated Statement of Income 234
Consolidated Statement of
Comprehensive Income 235
Consolidated Statement of
Changes in Shareholders' Equity 236
Consolidated Statement of
Cash Flows 240
Notes to the Consolidated
Financial Statements 242

357

supplementary

GRI Content Index 358
Glossary of Key Islamic Finance Terms 362
Corporate Information 364



about the report

- Overview
 - Context
 - Business in Perspective
 - ESG Report
 - Corporate Governance
 - Financial Statements
 - Supplementary



GRI 2-2, 2-3, 2-4, 2-23

Al Rajhi Bank is pleased to present its annual Integrated Report for the financial year ended 31 December 2023, in accordance with the International Integrated Reporting <IR> Framework, now part of the International Financial Reporting Standards (IFRS) Foundation. The Report acts as the primary publication and balanced overview presented to the Bank's shareholders, investors and other stakeholders of Al Rajhi Bank's performance, operations and strategy – as far as it is prudent to disclose such information – for the year in review. This comprehensive integrated annual report is available online in HTML as well as in print and PDF versions.

Report boundary

The boundary for financial reporting in this document extends to cover Al Rajhi Bank, referred to as "the Bank", and its subsidiaries, which, together with the Bank, are collectively referred to as the "Group". Where applicable, other Group entities are referred to as "Group" or "Consolidated".

The report reflects on:

- The value created against the trends that shaped the operating environment in the short, medium and long-term.
- The Governance, risk management and sustainability frameworks entrenched across the Group.
- The financial, operational, environmental and social reviews and results of the Group for the year.

Reporting period

This Report covers the 12-month period from 1 January to 31 December 2023, and is consistent with the Bank's conventional annual reporting cycle for integrated financial and sustainability reporting. The Bank's most recent integrated report covered the 12-month period that ended 31 December 2022. There are no restatements of information from previous reports and no major changes from previous reporting periods in the scope and aspect boundaries.

Compliance

Al Rajhi Bank Annual Report 2023 complies with all applicable laws, regulations and standards, and guidelines for voluntary disclosures. Additional details can be found in the chapter on Governance (pages 181 to 216) and in the Financial Statements and the Notes therein (pages 225 to 356).

The consolidated Environmental, Social and Governance (ESG) data has been prepared in accordance with the Saudi Exchange ESG Disclosure Guidelines (www.sseinitiative.org), and in reference to the GRI Sustainability Reporting Standards (www.globalreporting.org).

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

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

Precautionary principle

Al Rajhi Bank is conscious of the wider impact of its operations, and always takes into consideration the financial, economic, social and environmental consequences of its actions when launching new ventures and initiatives. One particular area of interest to the Bank is the indirect results of the actions of businesses to whom the Bank lends. The Bank avoids or reduces any such negative impacts through its credit policies, screening for ESG criteria, post-disbursement supervision and risk management processes.

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

Queries

Your comments on this Report are most welcome. Please email: IR@alrajhibank.com.sa to send in your feedback on the Bank's Integrated Annual Report 2023.

Standards and guidelines followed for reporting



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



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



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

this is al rajhi bank

∞

our vision

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

our evolution

Al Rajhi Bank is a Saudi joint stock company.

1957

Established as an exchange house.

1988

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

2006

Named Al Rajhi Bank.

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

our mission

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

our values

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

Integrity and Transparency

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

A Passion to Serve Our Customers

A strong commitment to anticipate and address customer needs beyond expectations, helping them achieve their objectives.

Modesty

Humility in thought and deed in everything we do.

Innovativeness

Nurturing imagination and fostering creativity for better results.

Meritocracy

Defining, differentiating and reinforcing excellence in people.

Care for Society

Contributing towards a better tomorrow.

مصرف الراجحي
alrajhi bank



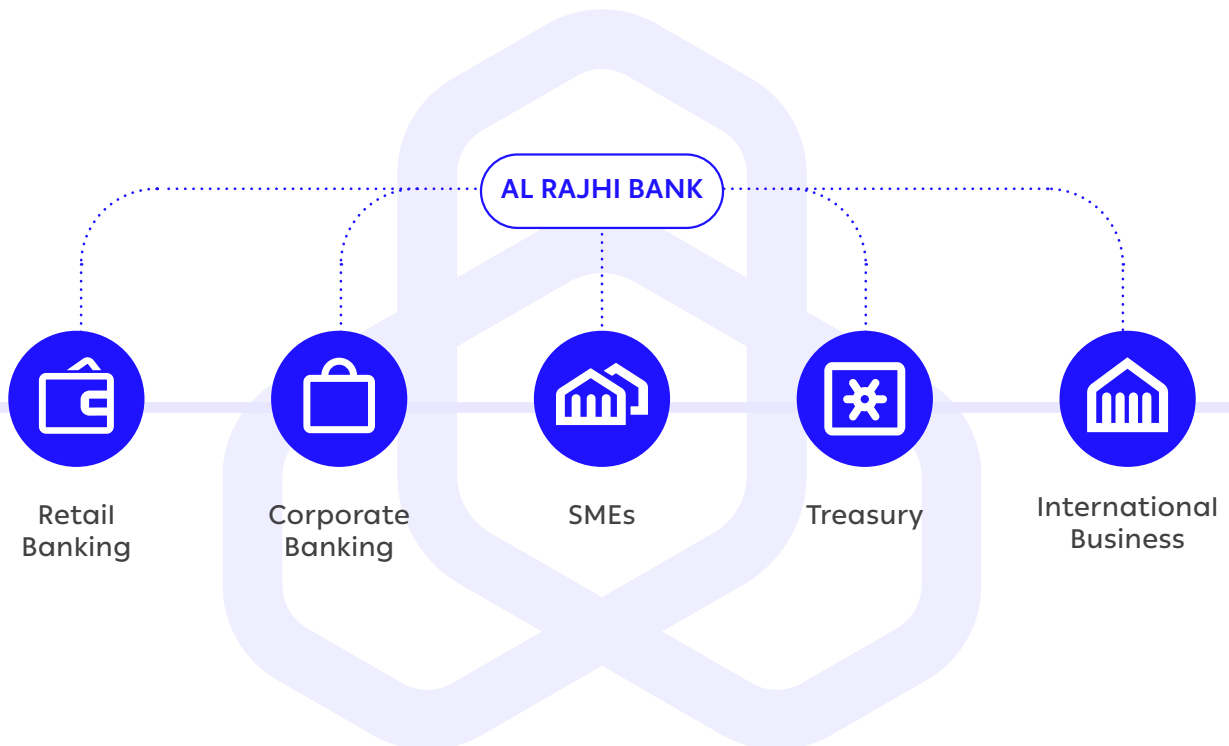
the bank

GRI 2-1

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

No. RJHI [1120]. Al Rajhi Bank is the world's largest Islamic bank with SAR 808 Bn. (USD 216 Bn.) in assets, a paid-up capital of SAR 40 Bn. (USD 11 Bn.) and an employee base of over 20,000 associates.

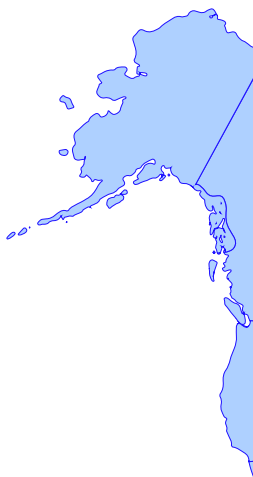
The Bank's business is diversified across the following verticals:



- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

al rajhi bank group

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



this is al rajhi bank

Overview 
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Subsidiaries and International Branches



this is al rajhi bank

- Overview
 - Context
 - Business in Perspective
 - ESG Report
 - Corporate Governance
 - Financial Statements
 - Supplementary

GRI 2-6



Al Rajhi Capital Company



KSA

A Saudi closed joint stock company authorised by the Capital Market Authority to carry on securities business in the activities of dealing/ brokerage, managing assets, advising, arranging and custody.



Management and Development for Human Resources Company



KSA

A limited liability company registered in the Kingdom of Saudi Arabia to provide recruitment services.



Al Rajhi Bank



Kuwait

A foreign branch registered with the Central Bank of Kuwait.



Al Rajhi Bank



Jordan

A foreign branch operating in the Hashemite Kingdom of Jordan, providing financing, banking, and investments services, and importing and trading in precious metals and stones in accordance with Islamic Sharia and applicable banking laws.



Al Rajhi Corporation Limited



Malaysia

A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.



Tuder Real Estate Company



KSA

A limited liability company registered in the Kingdom of Saudi Arabia to support the mortgage programmes of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.



Emkan Finance Company



KSA

A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.



Tawtheeq Company



KSA

A closed joint stock company registered in the Kingdom of Saudi Arabia providing financial leasing contracts registration to organise contracts data and streamline litigation processes.



Cayman Islands

Al Rajhi Financial Markets Ltd.

A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.



International Digital Solutions Co. (Neoleap)

A closed joint stock company owned by the Bank for the purpose of practising technical work in financial services, digital payment systems, financial settlements and related services.



Ejada System Limited Co.

A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, system analysis and senior management consultation services.



Commitment to Vision 2030

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

Strength and reach

- Second largest bank in terms of financing portfolio and second largest bank in Saudi Arabia in terms of assets – accounting for 21.8% of total assets and 23.2% of total deposits among banks in the Kingdom as of 31 December 2023
- The largest Islamic bank in the world with the largest branch network in the Middle East including 10 branches in Jordan, 2 branches in Kuwait and 13 branches in Malaysia
- Total Group assets amounted to SAR 808 Bn. as at 31 December 2023
- A market capitalisation of SAR 346 Bn. as at 31 December 2023
- Diverse traditional and modern channels spanning the Kingdom including:
509 branches 4,552 ATMs 601,153 POS terminals
142 Tahweel centres
- Expanding digital banking ecosystem with 12.6 million active users
- Growing mobile banking ecosystem by 1.2 million active users
- Handling an average of +800 million transactions and over SAR +8 Bn. remittances per month powered by a partner network of over 120 correspondent banks in around 50 countries
- 20,878 employees at the end of 2023 ranking the Group among the top 10 employers in the Kingdom
- Industry-leading Return Matrices with Return on Equity standing at 19.35%, Cost to Income ratio at 27.2% and Asset Quality with NPL standing at 0.71% as at 31 December 2023

value drivers: 2023 at a glance

Overview

Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary



Largest Bank in
the Kingdom and MENA

In terms of market cap

#1 in

Retail Banking
Branch Network, ATMs, and POS
Microfinancing
Payments
Brokerage

#3 in Corporate
Banking

Up 4 spots from
#7 in 2021

Highest customer satisfaction
Net Promoter Score (NPS) in the Kingdom

2023 – 76 
2022 – 75

Customer deposits

2023 – **SAR 573 Bn.**

2022 – SAR 565 Bn.

Digital:Manual ratio

2023 – **94:6**

2022 – 92:8

Net income (after Zakat)

2023 – **SAR 16.62 Bn.**

2022 – SAR 17.15 Bn.



value drivers: 2023 at a glance

Retail financing market share

2023 – **41.3%**

2022 – 43.6%



Total capital adequacy ratio

2023 – **21.5%**

2022 – 21.4%



Staff strength

2023 – **20,878**

employees

2022 – 19,964 employees



Earnings per share

2023 – **SAR 3.95**

2022 – SAR 4.24



Total assets

2023 – **SAR 808 Bn.**

2022 – SAR 762 Bn.



Employee training days

2023 – **101,573**

2022 – 141,547



Total mortgage

2023 – **SAR 234 Bn.**

2022 – SAR 222 Bn.



Active digital users

2023 – **12.6 million**

2022 – 11.4 million



Awards



Best Digital Bank in Saudi Arabia awarded by The Digital Banker



Best Bank in Saudi Arabia awarded by Euromoney



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



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



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



The Best Digital Bank at the Global Economics Awards



Best Banking Group in Saudi Arabia at the World Finance Awards

Delivering a strong performance across all our business verticals and subsidiaries, and solidifying our position as the banking powerhouse of the Kingdom of Saudi Arabia.



five-year summary

Key indicators from the consolidated financial statements for the years ended 31 December 2023.

For the years ended 31 December	2023	2022	2021	2020	2019
Operating results for the year, SAR '000					
Net financing and investment income	21,269,119	22,172,687	20,391,936	16,913,017	16,427,723
Total operating income	27,531,409	28,575,019	25,716,398	20,721,260	19,484,464
Total operating expenses	9,002,124	9,452,329	9,271,608	8,907,641	8,158,106
Net income	16,621,159	17,150,825	14,746,211	10,595,548	10,158,527
Total comprehensive income	16,955,074	16,640,035	15,190,996	10,676,861	10,292,041
Assets and liabilities, SAR '000					
Financing, net	594,204,806	568,338,114	452,830,657	315,712,101	249,682,805
Customer deposits	573,100,607	564,924,688	512,072,213	382,631,003	312,405,823
Total assets	808,098,272	761,618,888	623,644,628	468,824,723	384,086,576
Total liabilities	701,338,841	661,393,853	556,363,064	410,706,205	332,894,919
Total equity	106,759,431	100,225,035	67,281,564	58,118,518	51,191,657
Profitability					
Return on average assets (%)	2.12	2.46	2.70	2.56	2.76
Return on average equity (%)	19.35	22.68	23.87	19.94	20.49
Earnings per share	3.95	4.24	3.69	2.65	2.54
Dividend per share	2.30*	1.25	0.88	0.63	1.88
Regulatory ratios					
Capital adequacy ratio:					
Tier I (%)	20.40	20.27	16.36	17.99	18.80
Tier I and II (%)	21.52	21.41	17.50	19.08	19.87
Growth					
Al Rajhi Group Staff (Nos.)	20,878	19,964	15,078	13,445	13,439
Branches (Nos.)	509	516	521	543	544
ATMs (Nos.)	4,552	4,727	4,891	5,211	5,215
POS Terminals (Nos.)	601,153	533,442	326,121	204,549	115,243

*The Board of Directors recommended to the General Assembly to distribute SAR 1.15 dividends per share for the second half of 2023.

chairman's statement

- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

With great pleasure, we unveil the Annual Report for 2023 to our esteemed customers, partners, and shareholders, showcasing Al Rajhi Bank's significant contributions to propelling the Kingdom's visionary economic development plans.



Despite facing significant economic headwinds including decelerating growth, instability due to supply chain disruptions, and global unease, the Kingdom of Saudi Arabia maintained its top-tier ranking within the G20 nations in 2023. This impressive feat of economic resilience and investment attraction can be attributed to the visionary leadership and astute economic strategies implemented by the Kingdom. Furthermore, the Kingdom has pioneered the diversification of its revenue streams beyond oil, achieving an impressive 8.9% growth in non-oil revenues in 2023. With a thriving tourism sector, anticipated to soon realign the global tourism landscape towards the Kingdom, Saudi Arabia is poised to rightfully secure its well-deserved position on the world tourism stage. These achievements align seamlessly with the transformative journey marked by mega infrastructure and logistics projects, positioning the Kingdom rightfully as the exemplary host for Expo 2030.

With great pleasure, we unveil the Annual Report for 2023 to our esteemed customers, partners, and shareholders, showcasing Al Rajhi Bank's significant contributions to propelling the Kingdom's visionary economic development plans. Our commitment to this cause is evident through the delivery of extensive banking services, financial solutions, and sustainable financing. Driven by our "Bank of the Future" strategy, we are solidifying our position as a retail banking powerhouse, while pioneering digital leadership in the market. We are seamlessly transitioning from manual to digital transactions, empowering customers with a superior experience through innovative solutions. The Report presents an analysis of the Bank's performance including our overseas operations and subsidiaries and highlights the Bank's commitment to progress by unveiling its ambitious future plans, all testament to the Bank's legacy as a vital pillar of the national economy.

In its position as a leading financial institution; committed to serving global markets with innovative Shariah-compliant banking products and services, Al Rajhi Bank successfully launched its first US dollar-denominated sustainable sukuk in March 2023. This USD 1 Bn. (SAR 3.75 Bn.) sukuk, offering a competitive annual profit rate of 4.75%, marks the Bank's ground-breaking foray into the international capital markets; following two successful domestic issuances in Saudi Riyals during 2022. This achievement of being the first financial institution to issue Sukuk in international capital markets also reflects investors' trust in Al Rajhi Bank, and its steadfast dedication to sustainable financing.

With such milestone achievements and indicators reflecting the clarity of vision, sound direction, and strong performance throughout 2023, Al Rajhi Bank recorded an SAR 16.6 Bn. net income after zakat. In addition, the Bank's assets increased by 6.1% compared to 2022, reaching SAR 808 Bn. Building on its momentum, Al Rajhi Bank's shareholders' equity excluding the Tier 1 sukuk, surged by 7.9% to reach SAR 90 Bn. by the end of 2023, driving a 20.7% expansion in the corporate financing portfolio. Reflecting the Bank's commitment to bolstering economic activity, this robust growth extended to the real estate sector, with a 5.6% increase in the real estate financing portfolio. This was further strengthened by the Bank's dedication to improving citizens' homeownership rates, as evidenced by the signing of an agreement with the Real Estate Development Fund to finance the updated housing support program packages.

In addition, the Bank underscored its commitment to the tourism sector by establishing a strategic partnership with the Tourism Development Fund. This initiative provides unique banking products, integrated solutions, and fosters support for investors, playing a pivotal role in supporting tourism projects and cultivating promising tourist

chairman's statement

- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

destinations. This partnership seamlessly aligns with the Bank's overarching strategy to contribute to the Kingdom's Vision 2030 objective of diversifying the national economy and increasing non-oil GDP share.

We doubled down on our commitment to empower micro, small, and medium (MSME) business owners in their crucial role in fuelling job creation, economic services, and trade facilitation. We are proud to be their trusted partner, offering them tailored solutions through our dedicated unit and user-friendly online banking portal. Understanding their aspirations and challenges, we provide comprehensive service packages that empower them for both current and future growth, promoting a culture of entrepreneurship across the Kingdom. This dedication has translated into a remarkable 22.8% growth in our SME financing portfolio, a testament to our success in supporting their ambitions. As we move forward, we remain committed to empowering SMEs and driving their continued success, together.

The Report also showcases Al Rajhi Bank's dedication to community service, highlighting its unwavering commitment to social responsibility. This commitment manifests in active engagement with local charitable campaigns, particularly through the "Ehsan" platform where it stands as a prominent supporter. Al Rajhi Bank further collaborates with the Ministry of Human Resources and Social Development in the "Orphan Care Educational Program", currently in its second year. This program trains and empowers new cohorts for continued studies at private universities across the Kingdom. The Bank's dedication extends to local healthcare, actively supporting the Health Endowment Fund and initiatives like funding kidney transplants, establishing diabetes centres, and participating in diverse healthcare programs. Notably, Al Rajhi Bank played a pivotal role as financial director in the Jood Eskin charitable IPO, where both the Bank and its clients contributed a substantial SAR 100 Mn. for housing welfare.

Recognising the pivotal role of the human element in implementing present and future plans, strategies, and objectives, investing in the development and progression of our team remains a top priority. Through advanced training initiatives, we are committed to equipping our national workforce and future leaders for success and excellence in banking and financial services. This is achieved through the Al Rajhi Bank Academy, as well as other collaborations with international universities. As a testament to our efforts, we have successfully achieved a Saudization rate of over 88%, encompassing a workforce of more than 20,000 male and female employees. Al Rajhi Bank champions diversity in the workplace by both attracting ambitious and exceptional talent from all backgrounds and actively supporting female professionals who excel across various sectors, and hold senior management positions.

In direct recognition of Al Rajhi Bank's outstanding performance, achievements, and its innovative range of services, the Bank has clinched three prestigious awards at the Saudi Trade Finance Summit; namely the "KSA Best Trade Islamic Finance Bank", "KSA Customers Choice Trade Finance Bank", and "KSA Best Trade Digitized Bank" awards. Furthermore, the Bank has been honoured with the National Excellence Award in localisation initiatives at the private sector level. This recognition is complemented by additional detailed awards, all of which are highlighted in this Report.

Looking ahead, we are dedicated to maximising the use of our capabilities, expertise, and the creativity of our team to address the forthcoming challenges in Islamic banking. We are committed to harnessing the potential of new technologies and artificial intelligence, all while intensifying our efforts to contribute to environmental conservation and tackle the impacts of global warming and climate change, in alignment with the "Saudi Green" initiative.



In conclusion, all of us at Al Rajhi Bank are deeply honoured to express our utmost thanks, gratitude, and appreciation to the leaders of our blessed journey, the Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince -may Allah protect them- for their steadfast guidance and wise leadership, steering our country towards boundless horizons of progress and prosperity. We also extend our heartfelt thanks and appreciation to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank, the Capital Market Authority, and all government entities. Additionally, we express our sincere gratitude to our esteemed shareholders, clients and partners. We extend our gratitude to the Chairman and members of the Shariah Council, and I also wish to express my appreciation to my esteemed colleagues, the members of the Board of Directors. Our heartfelt thanks go to our dedicated team that is propelling this respected financial institution towards new heights of success in serving the national economy and fortifying its preeminent position in Islamic banking services.

May Allah grant success,

Abdullah bin Sulaiman Al Rajhi
Chairman of the Board of Directors

managing director and chief executive officer's review

Overview

Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

The "One Customer, One Bank" philosophy fostered seamless collaboration between the Bank and its subsidiaries, driving unparalleled value and revenue. Furthermore, the Bank entered into new partnerships with leading local and international institutions to capitalise on collaborative prospects and growth opportunities across diverse sectors and markets.



managing director and chief executive officer's review

Fuelled by the ambitious **Vision 2030**, Saudi Arabia has embarked on a transformative journey to unlock and explore the Kingdom's vast potential through economic diversification, global engagement and enhanced quality of life. Unprecedented development across economic, social, and cultural spheres have propelled the Kingdom towards its goals with unwavering momentum. And at the heart of this evolution stands the Saudi financial and banking sector, led by Al Rajhi Bank. It is not just a financial pillar; Al Rajhi Bank is a driving force, a catalyst for progress, and an enabler of opportunities.

The year 2023 witnessed the Saudi banking sector weathering a perfect storm of challenges. On the global stage, simmering geopolitical tensions among nations and economic blocs unleashed shockwaves, disrupting global economic activity and financial stability. Soaring interest rates reached record highs, simultaneously slowing down demand for both retail and corporate financing.

Despite these conditions, Al Rajhi Bank, through ongoing support by its Board of Directors, managed to navigate through these fluctuations. The Bank continued to exhibit exceptional performance across its business verticals and enhanced its leading position at local, regional, and international levels. Al Rajhi Bank's commendable 2023 performance reflected its capacity to capitalise on diverse growth opportunities. The Bank implemented an "End-to-End Strategy" featuring product expansion, sharpened competitiveness, and increasing its share of corporate banking. The "One Customer, One Bank" philosophy fostered seamless collaboration between the Bank and its subsidiaries, driving unparalleled value and revenue. Furthermore, the Bank entered into new partnerships with leading local and international institutions to capitalise on collaborative prospects and growth opportunities across diverse sectors and markets.

Despite these conditions, Al Rajhi Bank, through ongoing support by its Board of Directors, managed to navigate through these fluctuations. The Bank continued to exhibit exceptional performance across its business verticals and enhanced its leading position at local, regional, and international levels. Al Rajhi Bank's commendable 2023 performance reflected its capacity to capitalise on diverse growth opportunities. The Bank implemented a far-sighted strategy that drove product expansion and improved competitiveness, increasing its share in corporate banking. The "One Customer, One Bank" philosophy fostered seamless collaboration between the Bank and its subsidiaries, driving increasing value and revenue. Furthermore, the Bank entered into new partnerships with leading local and international institutions to capitalise on collaborative prospects and growth opportunities across diverse sectors and markets.

Distinguished by a long-established reputation that extends over six decades of sustained performance, Al Rajhi Bank's **"unbank the bank"** rebrand in 2021 was the start of a new era in banking. This rebranding reaffirmed the Bank's position as a major Saudi and global brand, shaping the future, leading the way in innovation, and introducing ground-breaking solutions that cater to present needs and future ambitions. It transcended conventional banking services into a world of limitless possibilities.

In 2023, Al Rajhi Bank remained steadfast in executing its ambitious "Bank of the Future" strategy, achieving resounding success. This encompassed a holistic approach to digital transformation, consistent investments in technological infrastructure, developing offerings, and the facilitation of access through diverse digital channels. The Bank transitioned from traditional to digital transactions, streamlining processes, embracing cutting-edge systems and technologies, and fine-tuning them to elevate



managing director and chief executive officer's review

- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

operational efficiencies. As a result, it sustained growth across sectors, consistently delivering greater value to its shareholders.

Under the slogan "Instantly & Limitlessly", Al Rajhi Bank's new mobile applications were rolled out in 2023, introducing an evolution in the digital banking landscape. This app presents enhanced features, delivering a seamless banking experience to customers. Designed as a digital financial ecosystem, the applications swiftly facilitate innovative and agile banking and financial solutions for retail and corporate clients. As part of the Bank's commitment to achieving the financial inclusion objectives outlined in "Saudi Vision 2030", this new application, for the first time, grants non-Al Rajhi Bank customers the ability to access its digital services as guests.

The Bank's digital transformation efforts yielded a positive impact on the KPIs of the "Bank of the Future" strategy, recording significant progress across multiple areas of focus. A notable achievement was the sustained leadership in the Retail banking services sector across the Kingdom. The Bank also captured a larger market share and boosted profitability in both the Corporate banking and SME sectors. Moreover, a remarkable surge of 1.2 million new digital customers joined the digital banking platform in 2023. These concerted efforts continuously enhance Al Rajhi's advanced digital capabilities, solidifying its position as a leader in the future of banking. Furthermore, Al Rajhi Bank's digital banking services were ranked first in the market according to 2023 NPS ratings.

The Bank also leveraged promising growth opportunities in developing sectors during the year in review. Notably, the Private banking and Corporate banking sectors saw a growth rate of 12.6% and 20.2% respectively. Moreover, the SME sector experienced a substantial 22.8% expansion, while the fintech microfinance company Emkan doubled its financing portfolio, soaring to more than twice its initial value since its inception.

Noeleap, the fintech payment services subsidiary experienced rapid growth, as its smart wallet "urpay" added over 1.6 million new users. These positive developments strengthened the Bank's position in these sectors, leading to significant gains in market share and profitability.

The remarkable achievements outlined in this report solidify Al Rajhi Bank's position as a leader within the banking and finance sector in KSA, embodying the essence of its transformative "unbank the bank" identity.

As 2023 draws to a close, the Bank continues to achieve positive outcomes across sectors. Customer deposits increased, and total asset and liabilities both grew by 6%, respectively. Moreover, digital transactions accounted for 94% of the total transactions. The Bank ranked 3rd in Corporate Financing, alongside a 5.6% increase in Mortgage financing in 2023 as part of "Sakani" initiative. The Bank also secured the highest market share in retail financing by 41.3%, increased the market share in demand deposits to 25.1%, and expanded the market share in the number of POS terminals to 35.4%.

Globally, despite the challenges posed by increased interest rates and competition with local banks, Al Rajhi Bank's international branches have maintained positive indicators. Al Rajhi Bank – Kuwait introduced new digital features and services to enhance quality, improve customer experience, and reach a wider client base. Al Rajhi Bank – Malaysia witnessed a record-breaking performance, increasing net profits by 231%. Adding to its achievements, it was honoured with the Best Virtual Bank and Best Fintech- Retail Banking awards in 2023. Amidst the turmoil rocking Jordan's banking sector in 2023, Al Rajhi Bank – Jordan managed to increase its financing by 12% and the shareholders' equity by 8%, a testament to its flexible strategy in navigating market fluctuations.

managing director and chief executive officer's review

In the dynamic and ever-evolving economic landscape of 2023, Al Rajhi Bank's subsidiary companies showcased robust performances. Al Rajhi Capital maintained its dominant position as the top trader by value and market share in both Tadawul and Nomu, even with a 22% decrease in trading volumes compared to 2022. Cementing its leadership and market leadership, Al Rajhi Capital has been chosen by Tadawul to pioneer the role of market maker in the Kingdom's main stock market. Moreover, Al Rajhi REIT Fund, operated by the Company, made the largest secondary offering in the Kingdom with a coverage rate reaching 158%. In 2023, the Company's global outreach expanded to encompass 38 markets worldwide. Al Rajhi Capital had a crucial role in the successful issuance of sustainable Sukuk bonds valued at USD 1 Bn., marking Al Rajhi Bank's ground-breaking issuance in the global capital markets in US dollars. These remarkable achievements led to the subsidiary being honoured with the Best Debt Capital Markets Award by the Saudi Financial Market Forum for 2023.

Since its inception, Al Rajhi Bank has stood shoulder-to-shoulder with the Kingdom, a steadfast partner contributing to the development of the nation, fostering its potential, and paving the way for a bright and prosperous future for its citizens. With Vision 2030's halfway mark in sight, Al Rajhi Bank doubles down on its commitment, poised to play a pivotal role in driving progress and realising the Kingdom's ambitious goals. Al Rajhi Bank is positioned as one of the most substantial national economic entities, the strongest banking brand, and the holder of the largest market share in personal and real estate financing. Coupled with its extensive base of employees, customers, and shareholders, the Bank's influence on the nation's economic landscape is profound. In this context, the Bank is dedicated to supporting financial inclusion across the Kingdom by expanding and enhancing digital services and accessibility. Additionally, the Bank has continued its efforts

to support "Sakani" housing program, aimed at increasing the homeownership percentage among citizens, with its market share in real estate financing amounting to 41.3%.

As a leading bank, Al Rajhi Bank recognizes its profound responsibility to strengthen sustainability practices. This entails embracing best-in-class ESG standards, ethical and fair business conduct, globally recognized risk management and compliance measures, and advocating green finance, all in alignment with Saudi Vision 2030, the Saudi Green Initiative, and the SDGs. These endeavours are explored in detail within this report.

Throughout its long-established history, Al Rajhi Bank has remained resolute in fulfilling its social obligations, an integral facet of its corporate strategy and culture. Various philanthropic initiatives and projects across local healthcare, social, and educational verticals have persisted, all aimed at serving society, fostering sustainable development, enriching well-being, and enhancing the Kingdom's overall quality of life. Described in detail in this report, the continuation of these efforts in 2023 stands as a testament to our collective pride in serving the communities in which we operate, and we are determined, Allah willing, to always be a tributary of goodness and prosperity in this giving nation.

Al Rajhi Bank adopts a profound commitment to a "customer-centric" approach, ceaselessly striving to elevate the customer experience. Achieving this entails delivering exceptional and personalised banking services that cater to their unique needs and aspirations. Moreover, the Bank places great emphasis on effective communication, earnestly considering customer feedback and requirements across all customer touch points. This invaluable feedback serves as a foundation for developing offerings that remain aligned with the ever-evolving needs of its clients. This is achieved through agile work practices

managing director and chief executive officer's review

Overview

Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

and methodologies, employing innovative tools, e.g. data management and analytics, AI, and maintaining a robust visibility across various social media. These deliberate actions underscore the Bank's unwavering commitment to continuous improvement. In this context, the Bank adopts the following:

- Diligently following up on the "Voice of the Customer" index and focusing on potential areas that could trigger complaints to uphold our leading position in consumer rankings and ensuring customer satisfaction remains paramount.
- Enhancing our digital product offering and refining the overall customer experience.
- Creating an integrated financial ecosystem that encompasses Al Rajhi Bank, alongside entities like "Emkan" and "Neoleap" to broaden our product range and cater comprehensively to the needs of its SME clients.
- Leveraging our expansive customer base through digital channels, employing cutting-edge data management and AI techniques to maximize cross-selling opportunities, revenue generation, and overall profitability.
- Creating a dedicated digital marketing team, comprising subject-matter experts in the rapidly evolving landscape of digital marketing, in line with the Bank's overarching marketing strategy.

At Al Rajhi Bank, our most valuable and continually renewable asset is our people. We consistently invest in nurturing, empowering, and comprehensively developing our human capital. Our focus begins with fostering a healthy, positive, and inspirational work environment. We prioritise the enhancement of their skills and capabilities through planned as well specialised training programs, clocking over 600,000 training hours for the year in review, ensuring that they have access to the infrastructure and technological solutions necessary for optimal performance and efficiency. Embracing best-in-class policies and practices in performance management, evaluation, development, communication, benefits, and compensation further cements our position as the preferred

employer within the banking sector. This emphasises our position to sustain growth, make progress towards strategic goals, and align our operations and human resources with the swiftly evolving market dynamics and industry advancements. As part of this structure, Al Rajhi Bank Academy is instrumental in nurturing talent and honing expertise across diverse fields and responsibilities. Consistent with the Bank's long-term goals, it is committed to providing benchmarked education and internationally recognized certifications.

Al Rajhi Bank's exceptional performance and pioneering role throughout a year marked by remarkable achievements has been recognised through a multitude of prestigious awards bestowed by leading local and global institutions. These awards include Best Bank for Retail Banking Services by MENA Banking Excellence; Best Digital Banking Services by Global Banking and Finance; Best Corporate/ Institutional Digital Bank in Saudi Arabia by Global Finance. Furthermore, the Bank's tier-1 tradable Sukuk garnered recognition as the top issuance by "Euromoney," while Forbes acknowledged it as holding the largest banking market value in the Middle East. A detailed account of these and several other significant awards can be found within this Report.

In 2023, we successfully concluded a three-year strategy cycle, which will now set the Bank's strategic direction towards playing a more crucial role in adapting to changes, confronting challenges, and envisioning the future to secure further accomplishments in the long run. Today, as we step into the new year with confidence and optimism, continuing our journey toward achievements and excellence, this report provides a glimpse into Al Rajhi Bank's strategic direction for 2024, including:

- Promoting leadership in retail banking through an expansive enhancement and innovation drive in products and services, improving "Rewards" loyalty program, and prioritizing an unparalleled customer experience.
- Maintaining a pioneering position in the digital and technological sphere within the market.

managing director and chief executive officer's review

- Sustaining progress and cultivating market share expansion in corporate banking services.
- Broadening offerings tailored for SMEs, aligned with the "One Client, One Bank" approach.
- Pioneering cutting-edge financing and payment solutions across the Kingdom.
- Upholding the highest compliance standards across all banking activities and services.
- Continuously equipping our employees with the required tools and programs to foster innovation and support their growth.
- Advancing the suite of services provided by the Bank and its subsidiaries, integrating them into a cohesive financial system empowered by the latest technologies.

As we anticipate the unveiling of our new three-year strategy in February 2024, I wish to extend my heartfelt gratitude to the Chairman and Board Members for their unwavering support and invaluable guidance. My appreciation also extends to our customers, shareholders, and all our valued partners in success. I hold deep admiration for our colleagues—the dedicated staff of Al Rajhi Bank—and the leadership teams across various departments and subsidiaries. Their tireless dedication fuels the growth and sustainability of this prominent financial institution, solidifying its leading position locally, regionally, and globally. We eagerly look forward to a fresh start in a bright and prosperous new year.

Waleed Abdullah Almogbel
Managing Director and CEO



Proud to be a key enabler
of the Kingdom's ambitious
Vision 2030 objectives.

28



Context

2019

Value Creation Model 30

Operating Context 33

Stakeholders 39

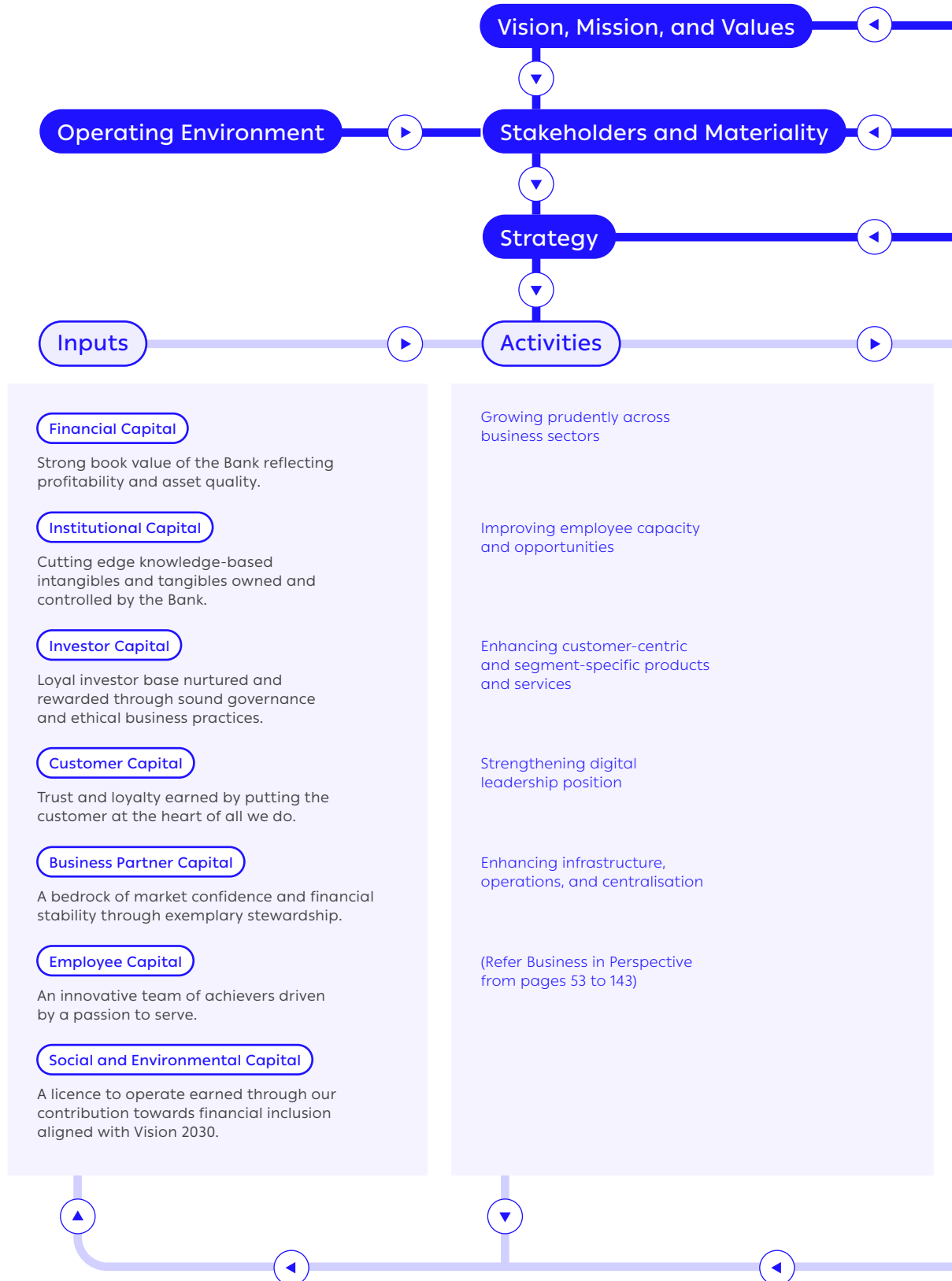
Materiality 44

Strategic Direction 46

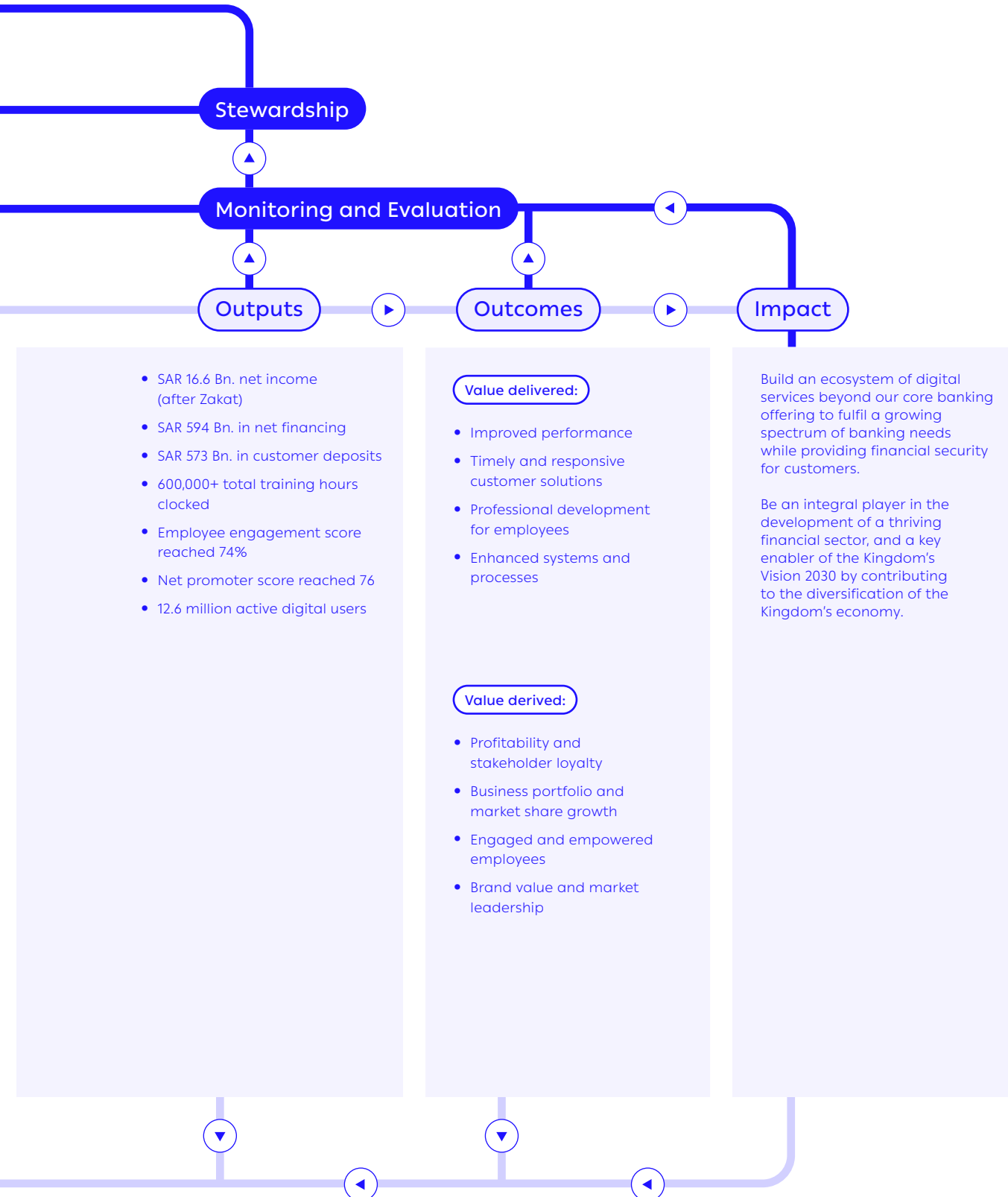


value creation model

- Overview
- Context**
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary



value creation model



value creation model

- Overview
- Context**
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

The value drivers

Al Rajhi Bank's value is driven by its Vision and Mission (refer This is Al Rajhi Bank on page 8); engagement with stakeholders (refer Stakeholders on page 39); and integrated thinking and strategy (refer Strategic Direction on page 46). The adoption of a multi-capital mindset drives the Bank's strategy formulation, powering it further on its integrated reporting journey.

The results chain

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

In addition to financial capital and Institutional capital, other capital includes investor capital, customer capital, business partner capital, employee capital, government and regulatory capital, and social and environmental capital (refer Stakeholders on page 39). Together, these capitals provide the "inputs" for the Bank's activities, enabling delivery of value to and deriving of value from stakeholders over time.

The Bank's system for transforming input capitals through business activities into outputs, outcomes and impact is illustrated in the Value Creation Model on pages 30 – 31. Each segment that follows "Inputs" is part of a results chain that represents value creation in the current, short, medium, and long term respectively.

Completing the picture

The business drivers and the results chain described previously are complemented by events and trends in the internal and external operating environment (refer Operating Context on page 33), good governance (refer Governance on pages 181 to 216) risk management practices (refer Risk Management on pages 217 to 223), and the ongoing monitoring and evaluation of the Bank's performance in the current, short, medium, and long term.

Despite the vibrant nature of the value creation process – where the individual capitals are constantly rising, falling, or being preserved – Al Rajhi Bank remains focused on increasing the overall stock of capital (refer Business in Perspective on pages 53 to 143).

operating context

Unprecedented tightening of global monetary conditions to address decades-high inflation compounded by geopolitical tensions meant that the growth of the global economy remained slow and uneven during the year in review, as per the World Economic Outlook published by the International Monetary Fund (IMF) in October 2023. Global activity bottomed out at the end of 2022 according to the report, while inflation—both headline and underlying—was gradually brought under control.

But a full recovery toward pre-pandemic trends appears to be increasingly out of reach according to the IMF publication, especially in emerging markets and developing economies.

Global trends

Global growth during the year in review slowed down from 3.5% in 2022 to 3.0% in 2023, and is projected to further decrease to 2.9% in 2024, well below the historical (2000–19) average of 3.8%. Global inflation too, while forecast to decline steadily, is not expected to return to target until 2025. Policymakers in advanced economies have implemented an average rate increase of approximately 400 basis points since late 2021, while emerging market economies have experienced an increase of around 650 basis points. This decisive action was taken to curb inflation. Despite the considerable policy tightening, most economies have demonstrated resilience over the past year. However, core inflation remains elevated, particularly in the United States and certain parts of Europe. This situation may prompt major central banks to sustain higher interest rates for an extended period.

There is also a widening divergence and fragmentation between geo-economies as evidenced by the series of most recent developments that have greatly tested international relations: Growing trade restrictions threaten to reverse economic integration across the world and undermine the cooperation needed to protect against new shocks and address global challenges.

With debt becoming more expensive as an intended consequence of tightening monetary policy, the ability of individual and business borrowers to service their debt is also diminishing. Most borrowers already in precarious positions financially following the pandemic saw the higher interest rates amplify these fragilities. Many weaker banks already facing higher credit risks will lose significant amounts of equity capital in a scenario where high inflation and high rates prevail and the global economy tips into recession.

Globally, housing and commercial real estate market activity is slowing in the face of rising mortgage rates. However, home values are holding up, despite many buyers choosing to delay purchases due to rising mortgage costs. The market for real estate investment trusts (REITs) also faces headwinds due to higher interest rates.

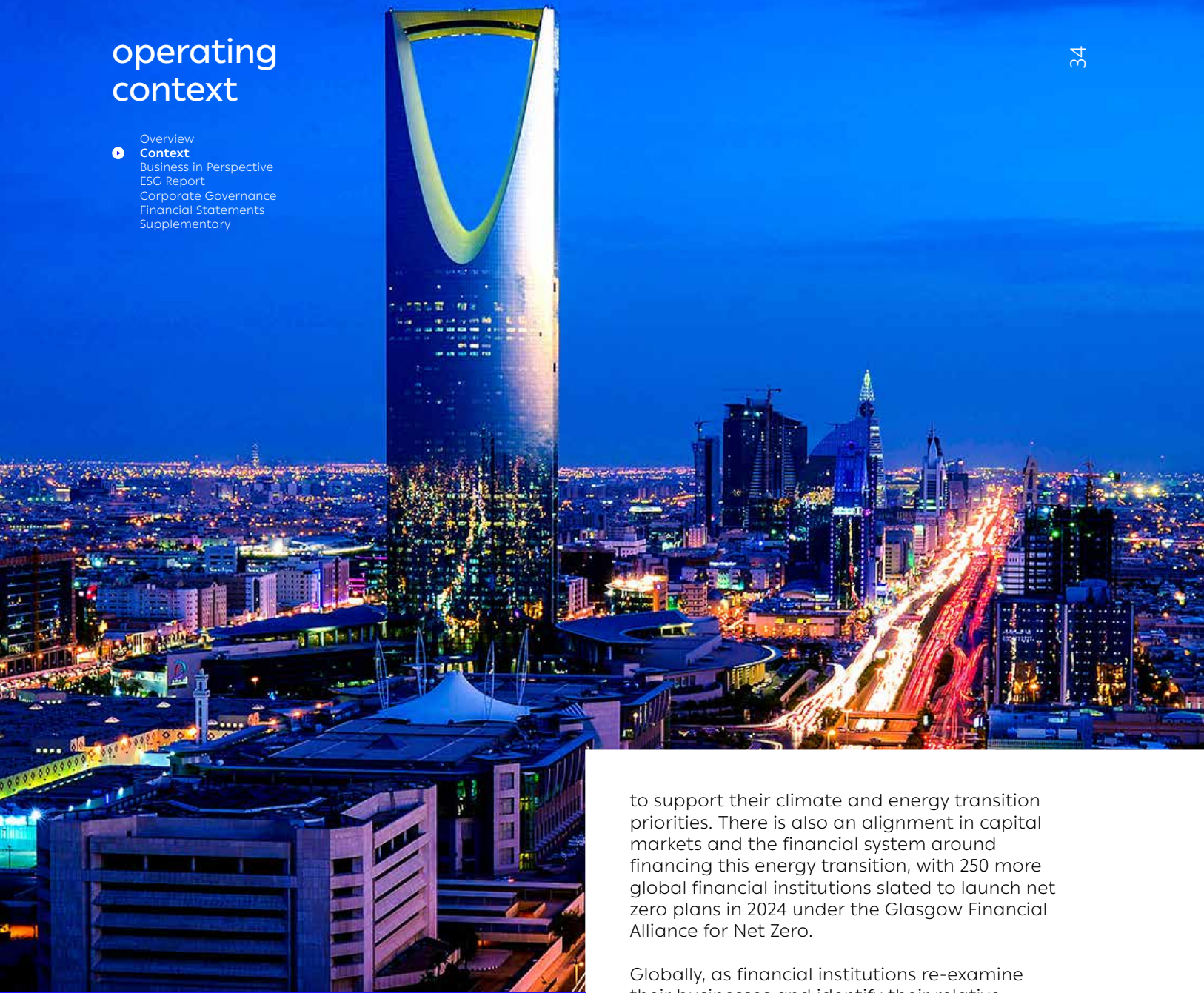
Governments are also facing challenges, with sovereign debt concerns applying across the board from low-income countries to advanced economies. The increase in yields has closed off access to international financing for numerous low-income countries, including Ghana and Sri Lanka.

If interest rates persist at elevated levels for an extended period, borrowing costs are expected to exert downward pressure on economic growth. This could pose challenges for economies in their efforts to overcome debt-related stresses. On the other hand, the United States is poised to run a USD 1.7 Tn. deficit in 2023, compared to USD 1.4 Tn. in 2022.

Given the inverse nature of the relationship between rates and bonds, there is also potential for bonds and other debt securities to lose value if banks are forced to sell them at a loss if faced with sudden deposit withdrawals or funding pressures.

However, climate investing remained well positioned to continue its growth trajectory in this turbulent environment. Governments have taken significant legislative and regulatory action

- Overview
- **Context**
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary



Governments have taken significant legislative and regulatory action to support their climate and energy transition priorities. There is also an alignment in capital markets and the financial system around financing this energy transition.

to support their climate and energy transition priorities. There is also an alignment in capital markets and the financial system around financing this energy transition, with 250 more global financial institutions slated to launch net zero plans in 2024 under the Glasgow Financial Alliance for Net Zero.

Globally, as financial institutions re-examine their businesses and identify their relative competitive advantages, they are required to generate adequate returns in a rapidly changing macroeconomic and geopolitical environment, one that is impacted by Artificial Intelligence (AI) and other emerging technologies. AI continues to be regulated despite the possibility of impacting the competitive landscape; In Europe, for example, penalties can go up to 7% of banks' revenue for regulatory breaches under the EU AI Act, while in China, interim measures regulating generative AI were issued in August 2023, focusing on services that are accessible to the general public. Scale and specialisation will be determinant for banks, as will value-creating diversification. Minimum economies of scale are also likely to shift, especially where technology and data are the drivers of scale.

For the foreseeable and immediate future, the outlook for financial institutions is likely to be shaped by four global trends;

Trend 1

Substantial shift in the macroeconomic environment

With higher interest rates and inflation figures in many parts of the world, as well as a possible deceleration of Chinese economic growth.

Trend 2

Continued acceleration of technological progress

The emergence of generative AI and other similar future-ready technologies that could be a game changer.

Trend 3

Deepening regulatory scrutiny

Stringent regulation of non-traditional financial institutions and intermediaries as the macroeconomic system comes under stress from new technologies, players, and risks.

Trend 4

Shift in the nature of systemic risk

Increased volatility from rising geopolitical tensions, which spur restrictions on trade and investment in the real economy.



Regional trends

Regionally, AI, Fintech, and ESG initiatives continued to impact the region's Banking and Financial Sector during the year in review. GCC economies remained largely unaffected by the ongoing conflict in Gaza, and are likely to continue exhibiting resilience in the foreseeable future.

Oil production cuts that were aimed at controlling oil prices have impacted GCC economies during the reporting period, with prospects for improvement in 2024. Robust growth in non-oil sectors, which is anticipated to reach 4.6% in 2023, softened the shortfall in hydrocarbon activities, driven primarily by private consumption, fixed investments, and looser fiscal policy in response to the year's relatively high oil revenues. The improved non-oil sector performance in GCC is mainly due to the support from the public sector as governments pursue growth and diversification agendas, particularly in the UAE and KSA.

The Islamic Finance Industry is expected to grow by around 10% in 2023-2024, supported by a greater banking asset base and the sukuk issuance, particularly across GCC countries, where the implementation of Vision 2030 initiatives is seen to contribute to the growth of Shariah Compliant Financing.

With several GCC currencies pegged to the USD, GCC Central banks saw their interest rates rise during 2023 to keep up with the US Federal Reserve's decisions to raise its benchmark interest level to between 5.25% and 5.50% during the year in review.

Quite notably, the GCC is advancing gender equality and female empowerment in the workforce through national reforms and initiatives, in line with their respective Vision 2030 objectives. Qatar and the UAE recorded the highest female inclusion in the workforce with

Overview

Context

Business in Perspective

ESG Report

Corporate Governance

Financial Statements

Supplementary

60% and 52% respectively, well above the global average of around 47%. Saudi Arabia saw female participation across its workforce soaring to 37%, which would indicate that the Kingdom met the integration goal set in their ambitious Vision 2030 initiative seven years earlier than expected.

Local trends

According to the General Authority of Statistics flash estimates, the Saudi economy contracted by 0.9% in 2023, with the growth forecast revised on the back of subdued oil prices and lower oil production in a pre-emptive move to stabilise the oil market. However, IMF is projecting 2.7% and 5.5% growth in 2024 and 2025 respectively. The Kingdom extended its voluntary cut of one million barrels per day initially implemented in July 2023 till the close of the year, with production steady at approximately nine million barrels per day as at December 2023. Additionally, The Ministry of Finance forecast a deficit of SAR 82 Bn. during the reporting period, revising its previous estimate of a surplus of SAR 16 Bn.

According to the Saudi Central Bank's (SAMA) monthly bulletin, consumer spending in Saudi Arabia grew 6.7% YoY by December 2023; this was fuelled by a 10% YoY growth in point-of-sale (POS) transactions and e-commerce sales through "Mada" cards increasing 28% YoY also marking the highest-ever sales value.

As shown in the latest IMF annual review of the country's economy, progress has been most notably reflected in non-oil growth, which has accelerated since 2021, remaining close to 5% throughout 2023, spurred by strong domestic demand. Diversification has been driven by improvements in the regulatory and business environment. As a result of a new set of laws to promote entrepreneurship, protect investors' rights, and reduce the costs of doing business, new investment deals grew by 95%, and licences increased by a staggering 267% in 2022, contributing to the Kingdom's GDP in 2023. In addition, the Saudi Investment Fund (PIF) has been deploying capital to help stimulate private sector investments, which continues to boost the growth across multiple sectors such as manufacturing and tourism, also positively contributing to the Kingdom's GDP.

S&P Global – a leading global provider of credit ratings, benchmarks and analytics, registered an increasing headline index of 57.5 in the Riyadh Bank Saudi Arabia Purchasing Managers' Index™ (PMI®) as of December, which was notably above the long-run average of 56.9. This increase signalled the ongoing expansion of the Kingdom's non-oil economy, which was driven by both new orders and output levels. Despite the increase in input prices, price of goods however, did not register a similar increase, and were instead muted by stronger competition.

The Saudi real estate market recorded deals worth around SAR 277 Bn. during the first nine months of 2023, reflecting the strength, solidity and cohesion of the Saudi real estate market despite the surrounding factors, such as the continued rise in interest rates and the decline in financing granted to individuals. Three factors contributed to the observed performance of the market; the scarcity of real estate supply in the residential market that led to an increase in prices, the large demand for real estate, and a growing appetite by major businessmen and real estate agencies to acquire undeveloped land, all signs of a promising future for the real estate market. 2024 is expected to witness greater momentum across the Saudi real estate market, with the non-Saudi ownership and investment law coming into effect.

Sector-specific trends

The Saudi Banking Sector continued to contribute to the loan growth across retail and corporate verticals, and the realisation of Vision 2030 initiatives, given that the year in review also marked the midpoint of the Vision 2030 journey since its launch in 2016. Asset quality across banks remained largely healthy, with a slight increase in non-performing loans (NPL). Higher interest rates in 2023 and portfolio seasoning will eventually result in an increase in the cost of risk, particularly for the corporate portfolios, which are mainly on floating rates.

Overall, the Saudi banking sector will remain well-capitalised. Saudi Banks achieved a 11.9% YoY increase in Net Income levels as end of 2023, while Personal Loans held a majority share across different economic activities, constituting around 48% of banking credit. This was followed by Real Estate activities, Wholesale and Retail Trade, Manufacturing, Electricity Gas and Water Supplies, and Construction.

Despite the challenges in the global economy, SAMA has been proactive in addressing various risks in order to maintain stability and resilience in the Saudi banking sector. Further, SAMA continued its support of technological innovation and digital solutions to meet evolving needs of households and corporations, while ensuring a resilient framework is properly in place. From the regulatory perspective, SAMA managed to complete the implementation of Basel III Reforms ahead of the stated deadline, and the banking system's prudential ratios are maintained well above the regulatory requirements.

Liquidity tightening and profitability compression remains a concern as a result of the multiple interest rate hikes witnessed in the year and prior years, whereby the cost of funds has seen an increase and, thus, a shift from non-profit - bearing deposits to term deposits was evident. Nevertheless, the expected credit growth to support Vision 2023 coupled with SAMA's liquidity injection into the system, if warranted, may help in easing such challenges.

The Financial Sector Development Programme plays an important role in driving the Kingdom's economic growth while also acting as an active vehicle towards achieving the Saudi Vision 2030 goals. SAMA is actively engaged with the Programme to promote technological innovation and digital solutions, thereby offering a wide-range of products and services across the sector. Refining laws and regulations to meet benchmark international standards also remains a crucial component of the Programme's attempt to modernise Saudi Arabia's financial landscape, promoting entrepreneurship and private sector growth.

- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

KSA banking sector updates for 2023:

Profitability/ROE

14.34%

ROA

1.98%

COF

2.91%

Interest rates/SAIBOR

3M SAIBOR

6.23%

Repo Rate

6.00%

Reverse Repo Rate

5.50%

NPL

1.23%

Operating income

SAR 130.9 Bn.

Cost-to-Income ratio

32.0%

SAMA Reserves

SAR 1,638 Bn.

In 2024, the Kingdom expects a total revenue of SAR 1.172 Tn. and a total expenditure of SAR 1.251 Tn., with the aim to boost spending to SAR 1.3 Tn. in 2025, despite growing uncertainties in the interest rate environment. Cybersecurity threats and fraud risks are expected to rise directly proportionately to the unrelenting pace of digitalisation and technological advancement across the sector. The Government expects limited budget deficits to continue in the medium term as a result of expansionary spending policies that support economic growth. Furthermore, the government will meet financing needs by borrowing and will seek to diversify its funding sources. As a result, real GDP has been projected to grow by 2.7% in 2024, and 5.5% in 2025.

stakeholders

GRI 2-29

Al Rajhi Bank remained committed to the frequent and effective engagement with all stakeholders, seeking to understand and prioritise their interests and concerns in a rapidly evolving operating environment. The Bank is also keenly aware of how this operating environment and emerging market trends affects its ability to sustainably deliver value to each stakeholder group, and to derive value from them in turn.

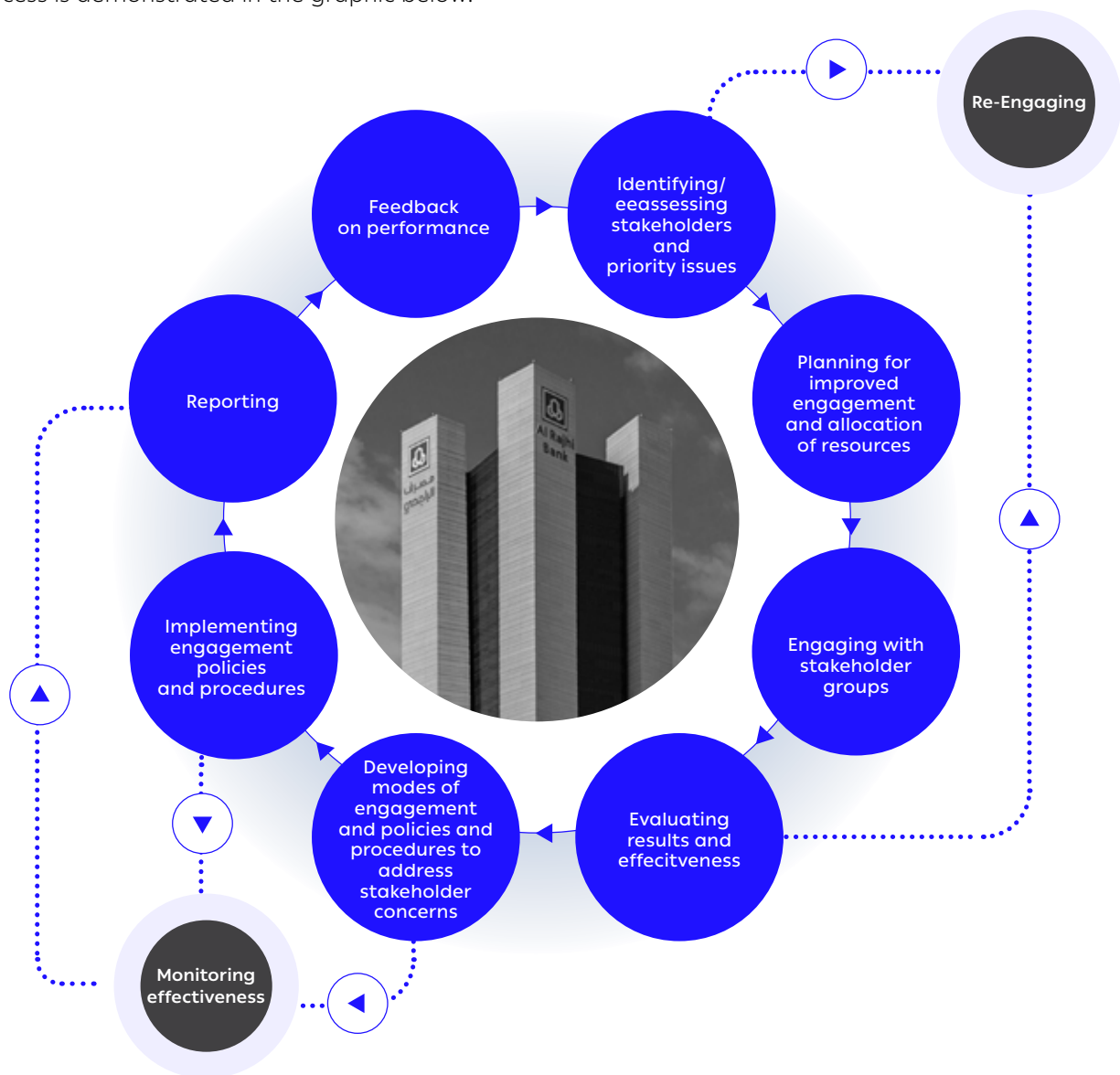
While the range of stakeholders that impact the Bank's performance, and are impacted by the Bank's performance, is extensive, Al Rajhi Bank has been able to better manage these vital relationships by categorising them into key stakeholder groups, effectively incorporating their expectations into its strategy, to drive sustainable value creation.



GRI 2-26

Stakeholder engagement process

The Bank maintains a continuous stakeholder engagement process to ensure it remains effectively engaged and responsive to meet evolving challenges, enhance its business model, and provide timely communication and solutions to address stakeholder needs. This successful stakeholder engagement process is demonstrated in the graphic below:



Mode and frequency of stakeholder engagement

Stakeholder group	Topics of engagement	Mode of engagement	Frequency of Engagement				
			ANN	QUA	MON	AR	CON
Investors 	- Financial Performance - Strategy - Governance - Shareholder Returns - Business Expansion Plans - Risk Management - Sustainable Growth	General Assembly Meeting	✓				
		Extraordinary General Meetings				✓	
		Annual Report	✓				
		Interim Financial Statements		✓			
		Investor Earnings Call		✓			
		Investor Roadshows and Presentations				✓	
		Investor Disclosures		✓			
		Press Conferences and Releases				✓	
		Announcements made on the Saudi Stock Exchange				✓	
		Corporate Website					✓
		One-on-one Discussions				✓	
		Feedback Surveys				✓	
Customers 	- Banking Hours - Customer Security and Privacy - Service Quality - Financial Inclusion - Affordability of Services and Convenience - Grievance Handling Mechanism - Financial Education and Literacy - Financial Support for Revival of Business - Specialised Needs	Branches					✓
		Service Centres					✓
		ATM Network					✓
		Online Banking					✓
		Mobile App					✓
		Corporate Website					✓
		Print and Electronic Media				✓	
		Social and Conventional Media					✓
		Customer Satisfaction Surveys				✓	
		Customer Visits				✓	
		Customer Queries and Complaints				✓	
		Net Promoter Score (NPS)					✓

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Stakeholder group	Topics of engagement	Mode of engagement	Frequency of Engagement				
			ANN	QUA	MON	AR	CON
Business Partners 	- Contractual Performance - Future Business Opportunities - Maintaining Healthy Relationships - Timely Settlement of Dues - Ease of Working - Growth Potential - Fintech and Other Collaborations	Supplier Relationship Management				✓	
		On-site Visits and Meetings				✓	
Employees 	- Performance Standards - Career Planning - Training and Development - Corporate Values - Corporate Strategies and Plans - Trends in Banking - Saudisation - Remuneration and Benefits - Employee Loyalty and Recognition - CSR Programmes	Induction and Training Programmes					✓
		Key Performance Indicators (KPIs)					✓
		AI Rajhi Academy					✓
		Career Development Guidance	✓				
		Internal Communications				✓	
		Staff Societies				✓	
		Volunteerism				✓	
		HR Management System					✓
		Employee Self-Service App SAHL					✓
		Employee Engagement Survey	✓				

Stakeholder group	Topics of engagement	Mode of engagement	Frequency of Engagement				
			ANN	QUA	MON	AR	CON
Government Authorities and Regulators 	- Financial Performance - Strategy - Governance - Business Expansion Plans and Sustainable Growth - Risk Management - Saudisation - Employment Opportunities - Contribution to Economic Development and Diversification	Consultations				✓	
		Relationship Building Meetings				✓	
		Informal Briefings and Communications				✓	
		General Assembly Meeting	✓				
		Extraordinary General Meetings				✓	
		Annual Report	✓				
		Interim Financial Statements		✓			
		Announcements made on the Saudi Stock Exchange				✓	
Society and Environment 	- Financial Inclusion - Affordable Financing for Disadvantaged Segments - Community Empowerment - Assistance to Disadvantaged and Vulnerable Groups - Saudization - Employment Opportunities - Microfinancing and MSME Support - Environmental Performance	Delivery Channels					✓
		ESG Report (Integrated with Annual Report)	✓				
		Press Releases and Media Briefings				✓	
		Informal Briefings and Communications				✓	
		Public Events				✓	
		Corporate Website					✓
		Educational Projects				✓	
		Youth Development and Employment Projects				✓	
		Microfinancing for Women				✓	
		Programmes for MSMEs				✓	
		Assistance to the Needy and Vulnerable through CSR Projects				✓	

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

Overview

Context

Business in Perspective

ESG Report

Corporate Governance

Financial Statements

Supplementary

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

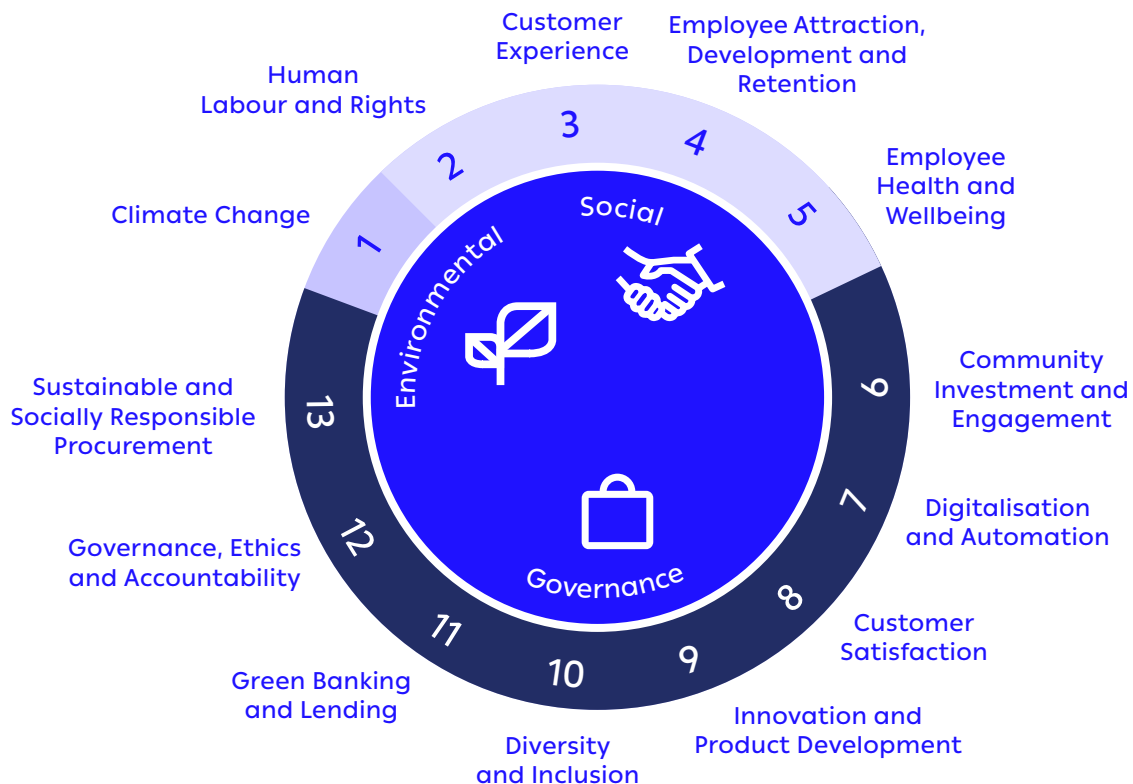
Determining materiality

At the onset of the execution of the Bank of the Future (BOTF) Strategy in 2021, Al Rajhi Bank collaborated with one of the largest pure play sustainability consultancies in the world to conduct a local and global peer benchmark comparison to identify Environmental, Social and Governance (ESG) topics that are most important to its stakeholders as well as its business. A concise list of 13 ESG-based material topics were finalised, and continue to be prioritised by the Bank each year, by conducting an annual materiality assessment.

Al Rajhi Bank discovered a number of immediate and long-term opportunities following the assessment, aligning the Bank with global best practices in its overall approach to materiality. This also enabled the Bank to create value and better navigate an evolving ESG landscape.

The materiality topics serve as the basis of the Bank's ESG Report (pages 146 to 165), which references the Saudi Exchange ESG Disclosure Guidelines, and support the Bank's ESG strategy, which was developed following the materiality assessment.

Al Rajhi Bank's 13 ESG-based material topics



Materiality matrix

The 13 materiality topics were mapped onto the Materiality Matrix following Al Rajhi Bank's annual materiality assessment during the reporting period. They were rated from significant to highly significant in importance, enabling the Bank to closely align its strategic direction with stakeholder expectations.



Management approach

Material topics are relevant to management, particularly where the Bank's business strategy, resource allocation, and activities are concerned, and are assigned to the relevant heads of business or functional units through its strategic planning process. Resource allocation is based on the degree of materiality of any particular risk or opportunity. In line with the materiality determination process, the Bank continues to formulate and roll out policies and embed goals, targets and KPIs that are reviewed at regular intervals, to ensure its employees achieve all objectives with regard to material matters.

strategic direction

- Overview
- Context
 - Business in Perspective
 - ESG Report
 - Corporate Governance
 - Financial Statements
 - Supplementary

The end of the reporting period marked the conclusion of the highly successful execution of Al Rajhi's Bank of the Future (BOTF) strategy, which remained on track during 2023, with strategy delivery in line, and at most times ahead of expectations.

During the reporting period, the BOTF strategy - also well aligned to the objectives of the Kingdom's Vision 2030 - continued to grow the core banking franchise while exploring and leveraging diversification opportunities, driven by industry-defining customer centricity, as highlighted under each of the dedicated pillars.

bank

Build on the core

Grow Retail including Private Sector

Retail financing growth

SAR 251 Bn. — 70% — SAR 427 Bn.

FY 2020

FY 2023

Expand on Corporate Financing

Corporate financing growth

SAR 53 Bn. — 151% — SAR 134 Bn.

FY 2020

FY 2023

Bank of Choice for SMEs

SME financing growth

SAR 10 Bn. — 217% — SAR 31 Bn.

FY 2020

FY 2023

Grow Demand Deposits

Demand deposit growth

SAR 333 Bn. — 6% — SAR 352 Bn.

FY 2020

FY 2023

Improve Revenue Mix

Non-yield income to operating income

18.4% — +4% — 22.7%

FY 2020

FY 2023

of

Outperform Our Competition

Customer Experience

Customer NPS

66 — +10 — 76

FY 2020

FY 2023

Preferred Employer

Employee Engagement Index

70% — +4% — 74%

FY 2020

FY 2023

Market Share

Market share of KSA banking assets

16.9% — +5% — 21.8%

FY 2020

FY 2023

Preferred Loyalty Program

Loyalty programme customer enrolled

2.4mm — 513% — 14.7mm

FY 2020

FY 2023

Leader in Financial Conduct

ESG rating

BB — +1 — BBB

FY 2020

FY 2023



the

Transform Technology

Digital Core Banking Platform

Digital/Manual ratio



Data Leader for Customer Insights

Active digital customers penetration



Modernize our technology

Number of robots



Leverage our Infrastructure

AlRajhi Banking App rating



Adopt Agile Delivery

Transactions per month avg.



future

Focus on New Client Needs

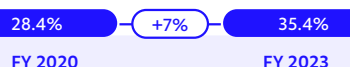
Become Leading Finance Company

Emkan financing total (SAR)



Develop Best Payments Solution

POS market share



Grow Private Banking

New private banking products



Expand customer reach

Number of active customers



Deepen Relationships via X-Sell

360-degree system to serve clients



Build on the core

During the three-year BOTF strategy cycle, Al Rajhi Bank continued to strengthen and grow its core franchise market share. In Retail Banking, Al Rajhi aligned with the Kingdom's economic and social transformation program of Vision 2030, including the pivot to Private Sector growth. Redefining its risk appetite and propositions to meet the evolving demands of the Private Sector, Al Rajhi Bank recorded a 70% growth in retail financing during the strategy cycle from the base year 2020. Introducing an improved customer value proposition enriched with upgraded relationship management capabilities ensured Al Rajhi was well equipped to strategically address evolving and emerging customer needs. This in turn successfully increased the Bank's market share of the Kingdom's growing premium segment during the BOTF strategy cycle.

By the end of 2023, Al Rajhi laid claim to the broadest range of Real Estate Development Fund (REDF) and non-REDF mortgage products in the market with a dominant 41.3% market share, contributing to the Kingdom's Vision 2030 objective of increasing Saudi homeownership to 70%. Having grown its Personal Financing as well as Auto Financing market share during the three-year BOTF strategy cycle, Al Rajhi continues holding the largest personal loan book in the Kingdom.

- Overview
- Context
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

The objective to expand Al Rajhi's Corporate Banking business was successfully executed under the BOTF strategy, with the Bank moving from 7th ranked Corporate Bank in 2020 to 3rd ranked in the Kingdom by the end of the reporting period. The growth has been broad-based with the Bank focusing across multiple facets; from attracting new clients to launching tailored products beyond balance sheet lending and cash management, to address evolving corporate financing needs. Having successfully grown its book across both liabilities and assets, Al Rajhi Bank is fast becoming a primary bank of choice for the Kingdom's corporate segment for capital funding and deposits.

As the Kingdom continued to implement business and economic reforms to diversify the economy, Al Rajhi readied itself to assist in the transition of the economy into a more diverse and competitive Private Sector. As one of the world's major emerging markets, Saudi Arabia's Small and Medium-Sized Enterprises (SMEs) continued to be the economy's growth engine, with Al Rajhi Bank delivering SME-specific financial solutions for the fast-growing sector.

Al Rajhi leveraged its leading 35.4% market share in merchant acquiring to improve the SME vertical during the BOTF strategy cycle, introducing a full set of lending products to merchants against the cash flow of each business, which were better suited to meet their individual requirements. The Bank also remained committed to the overall mandate of providing customers with increased, easy and instant access to financial solutions by digitising and automating SME solutions, simplifying and expediting the decision-making process by reducing the amount of external data elements required for merchant financing requests. Such focused efforts saw Al Rajhi Bank's strengthening its reputation as the go-to partner for SME banking.

The Bank was also successful in growing total demand deposits by the end of the BOTF strategy cycle through a combination of factors including Al Rajhi's unrivalled reach through the largest branch network in the Kingdom, growth of the Affluent, Corporate and SME market shares, and the application of more advanced digital analytics. The UrPay digital wallet introduced by the Bank's fintech subsidiary Neoleap largely helped to both retain as well as grow balances, and remains one of the most widely used wallets in the Kingdom since its launch in 2022.

As a result of growth across all core banking verticals and securing greater market shares, fee income increased significantly during the BOTF strategy cycle, greatly improving the Bank's revenue mix.

Outperform our competition

Increasing customer franchise value in the long term remained one of Al Rajhi's overarching objectives during the past three years. The Bank recorded the leading Net Promoter Score (NPS) in the Kingdom's banking and financial services sector for the reporting period—a strong measure of customer satisfaction across all segments, services, and products. The growing market shares, enhanced digital journeys, and enriched customer experiences were complemented by the bank's new dedicated Group Contact Centre, making the journey across multiple customer touchpoints more seamless.

The Group Contact Centre is predominantly staffed by trained female employees, contributing to Saudi Vision 2030 female empowerment targets while also strengthening the bank's reputation as a highly preferred employer in the Kingdom. The bank's investment in high-potential Saudi talent is evidenced by the Graduate Development Programme (GDP), the preferred internship programme for

top graduates across the Kingdom. As such, attracting, retaining, and developing the next level of talent was highly prioritised during the BOTF strategy cycle, equipping employees with specialist capabilities to address and build skill gaps in a rapidly evolving industry. Training and capacity building were conducted by the Al Rajhi Bank Academy, nurturing a stronger, more capable, and more adaptable workforce through providing over 600,000 hours of training. The success of such efforts was reflected by continuously improving employee engagement metrics, where the reporting period closed with an employee engagement score of 74%.

The Bank's loyalty programme mokafaa continued to grow its membership to 14.7 million customers by the close of the BOTF strategy cycle, and maintained its position as the Kingdom's preferred loyalty programme throughout. Supported by advanced data analytics and rapid responses to changing customer behaviour, mokafaa delivered an unrivalled customer value proposition in terms of merchant coverage and redemption offers. The programme has continued to successfully on-board the largest and most diverse merchant network in the Kingdom, totalling over 200 instant-redemption merchants.

Al Rajhi Bank continued to focus on regulatory performance and compliance; this also included understanding, planning and implementing policies according to regulatory guidelines and technical standards of the Open banking framework announced by the Saudi Central Bank (SAMA) during the BOTF strategy cycle. Al Rajhi also committed to the pursuit of ambitious ESG goals, improving its third-party ESG ratings and strengthening its reputation for leadership in financial conduct in its position as the World's largest Islamic Bank.

Transform technology

One of the biggest success stories resulting from the execution of the BOTF strategy during the past three-years is the unprecedented pace and scale of automation, digitization, and technology infrastructure upgrades across Al Rajhi Group. The Bank successfully completed the replacement of all its core systems; Corporate Banking System, Treasury System, Loan Origination System, Loan Management System, Core Card System, and Microfinance System modernising projects were successfully completed during the BOTF strategy cycle, thereby setting the benchmark for the Kingdom's financial and banking sector in technology transformation. Al Rajhi's mobile banking Apps too, are ranked no. 1 in the Kingdom in terms of both features as well as active users.

The Bank leveraged data-driven insights to enhance responsiveness across its customer segments, expanding its omni-channel reach to provide personalised solutions and offers to customers in real-time, further increasing customer engagement and enhancing customer satisfaction. Significant operational efficiencies and performances were achieved by upgrades in technology, broad scale implementation of robotics, and the re-engineering of processes.

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

- Overview
- Context**
- Business in Perspective
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Such far-sighted investment sets Al Rajhi Bank up as a future-ready competitor in a digital-first operating environment; the Bank will be able to build and respond to customer needs as well as external competitor threats, especially from the growing ecosystem of fintechs moving forward.

Focus on new client needs

Some of the BOTF strategy's greatest deliverables come from diversification into a number of areas that the Bank was yet to explore in the market. Al Rajhi invested in building new capabilities that allowed the Bank to take advantage of several promising opportunities, while also protecting the Group against emerging threats. One such focus area for diversification was consumer finance; with a fast-growing microfinance market in the Kingdom, Al Rajhi Bank established Emkan Finance – a fully digital microcredit arm – to serve credit needs of consumer segments that were beyond the Bank's risk appetite. The company recorded a remarkable 250% growth during the BOTF strategy cycle, becoming the Kingdom's leading microfinancing company during the reporting period. Positioned for further growth, Emkan continues to open up to new market segments, with a pipeline of products currently in development to meet their needs.

With payment solutions becoming the point of entry for many new players in the financial services sector, Al Rajhi Bank defended its leading position in merchant acquisition, and explored new fintech opportunities through its payment fintech subsidiary Neoleap. The first fintech in the Kingdom to offer a fully digital merchant onboarding process, the subsidiary lists a full set of Business-to-Business (B2B) solutions across e-Commerce and Marketplace including Point-of-Sale (POS), Electronic Cash Register (ECR), and third-party payment and processing solutions, servicing the entire value chain of merchant activities. Neoleap's Business-to-Consumer (B2C)

payment solutions include the fastest growing digital wallet in the Kingdom – UrPay, with over 4.8 million users registered at the end of the BOTF strategy execution. The wallet promises to continue in its evolution, growing beyond its core business verticals and transitioning into a comprehensive lifestyle app.

Al Rajhi Bank focused on strengthening its Private Banking offering to better meet evolving high net worth customer needs during the BOTF strategy cycle. The Bank introduced innovative investment products among other solutions, complemented by exclusive benefits including Credit Card offerings comprising a concierge service, membership to the leading loyalty program in the Kingdom, highly proficient Relationship Managers for enhanced customer servicing, all supported with the establishment of 18 dedicated Private Banking Centres by the end of the BOTF strategy cycle.

The Bank also explored avenues where it could harness economies of scale anchored to the size and scope of the Al Rajhi business; Operations, staffing solutions, automation services and contact centre operations for the Group were consolidated under a new company Tanfeeth, which is responsible for managing, streamlining and improving processes across the Al Rajhi Group to deliver greater operational efficiencies. The Group Contact Centre in Qassim established in 2022 has contributed to enhanced customer experience while also providing dedicated back-end support to the business.

The Bank's real estate and property management arm Tudor was revived under a new brand identity to oversee Al Rajhi's large real estate footprint by virtue of a growing branch network and offices. Tudor consolidated all real estate services from engineering and consulting services to facility management, real-estate documentation and registration, and evaluation

of real estate and property, maximising synergies across the Group for cost efficiencies. Al Rajhi also established Tawtheeq during this time, a financial leasing contracts registration company, to better organise contracts data and streamline litigation processes, a scalable operation that has successfully been automated.

The acquisition of Ejada Systems took place at the onset of 2022. The company is an industry-defining IT services and solutions provider with a prominent tech footprint across the Kingdom as well as the wider Middle east and North Africa (MENA) region. Ejada assists Al Rajhi Bank in rapidly building and deploying digital capabilities, while also servicing external clients and bringing in additional income.

Al Rajhi Bank also focused on deepening customer relationships through a "needs-based" cross-selling approach, increasing the number of products per customer based on data-driven suggestions generated by the Bank's leading real time analytical and AI capabilities. Application and servicing also evolved with improvements to customer journeys, enabling customers to explore a range of financial solutions from Al Rajhi Group's subsidiaries.

Future outlook

With the successful execution of the BOTF strategy during 2020 – 2023 we created a differentiated business model in KSA via our new subsidiaries; this helped to deliver our "Bank of the Future" strategy which has outperformed financially and significantly increased our market share and customer satisfaction; this positions us for further growth in a positive KSA economic environment.

Al Rajhi was able to build a full-service bank through new acquisitions and establishing a number of subsidiaries that can meet the full range of customers' needs. This enables Al Rajhi Group to continue its potential growth momentum by focusing on promising market segments and maximising synergies across the Group's customers through high-performing subsidiaries. This strategy creates unparalleled value for all stakeholders as the group enters a new strategy cycle from 2024 to 2026.

Building an ecosystem of digital services beyond our core banking offering to fulfil your evolving banking needs.



business in perspective

53

**Chief Financial Officer
Review 2023 Performance** 54

Business Portfolio Review 60

Retail Banking Group 60

Corporate Banking Group 65

Treasury Group 69

MSME Business 73

**Subsidiaries and
International Branches** 76

Al Rajhi Capital 77

Tuder Real Estate Company 81

Neoleap 85

Emkan Finance 89

Ejada Systems 91

Tanfeeth 95

Al Rajhi Bank – Malaysia 97

Al Rajhi Bank – Jordan 101

Al Rajhi Bank – Kuwait 104

Human Resources 107

**Marketing and Customer
Experience** 122

Shared Services Group 132

**Digital Footprint and
Technology Transformation** 138

Sharia Group 142



chief financial officer review of 2023 performance

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

An overview

The year 2023 saw the Kingdom's economy undergoing a transformation as it implemented reforms to support the non-oil economy and diversify income sources. The International Monetary Fund (IMF) continued to maintain a positive outlook for Saudi Arabia, with the GDP growth forecast to rebound to 2.7% in 2024. The non-oil economy quite notably grew 4.6% in 2023. Consumer spending continued its positive trend to record an increase of 6.7% by end of 2023, on the back of improved economic activities.

The year in review also marked the midpoint of Saudi Arabia's ambitious Vision 2030 journey. Credit growth continued during 2023 and is expected to continue beyond, supported by government initiatives around Vision 2030.

Against this backdrop, Al Rajhi Bank continued its momentum from 2022, delivering a strong performance across all our business verticals and subsidiaries. The year saw the Bank take advantage of improving economic activities and market opportunities that emerged in the Kingdom by leveraging its capabilities, which resulted from farsighted strategic initiatives implemented over the past few years.

As the final phase of our visionary Bank of the Future (BOTF) Strategy was successfully executed in 2023, Al Rajhi Bank recorded an 6% YoY growth on the balance sheet, with a net income of SAR 16.6 Bn. The growth during this reporting period was mainly driven by Al Rajhi's financing portfolio, which grew 5% YoY to reach SAR 594 Bn. Around 39% of our total financing portfolio, and 54% of our retail book is represented by mortgage financing, which grew by 6% YoY. A 21% YoY financing growth in non-retail was driven by a notable 20% growth in our corporate book, and a promising 23% YoY growth in SME. Our assets growth was further boosted in 2023 by a 32% YoY growth in investments, with the portfolio reaching SAR 134 Bn.



chief financial officer review of 2023 performance

In line with this asset growth, we intend to expand and diversify our funding mix to accommodate and further support the expansion of our balance sheet. Since last year, the Bank successfully issued a total of SAR 16.5 Bn. Tier 1 Sukuk, while the Bank has securitized more than SAR 11 Bn. worth mortgages to the Saudi Real Estate Refinancing Company (SRC) in 2023. Moreover, the funding mix was further

diversified by the introduction of syndicated and bilateral deals amounting to SAR 11.6 Bn. Moreover, the Bank successfully completed our first international sukuk issuance of USD 1 Bn. in senior unsecured sukuk in April 2023. We continued to focus on enhancing our customer experience which ensured we laid claim to the leading Net Promoter Score (NPS) in the local market as of 2023, standing at 76.

Five-year summary of the Income Statement

Description	2023 SAR '000	2022 SAR '000	2021 SAR '000	2020 SAR '000	2019 SAR '000
Income					
Gross financing and investment income	38,737,616	28,201,631	21,441,506	17,377,963	16,962,583
Return on customers', banks' and financial institutions' time investments	17,468,497	6,028,944	1,049,570	464,946	534,860
Net financing and investment income	21,269,119	22,172,687	20,391,936	16,913,017	16,427,723
Fee from banking services, net	4,225,650	4,624,140	3,933,107	2,659,680	1,987,367
Exchange income, net	1,246,450	1,162,162	787,898	783,894	774,096
Other operating income, net	790,190	616,030	603,457	364,669	295,278
Total operating income	27,531,409	28,575,019	25,716,398	20,721,260	19,484,464
Expenses					
Salaries and employees' related benefits	3,525,096	3,395,191	3,132,346	2,977,344	2,794,046
Depreciation and amortization	1,578,009	1,330,119	1,141,932	1,118,148	1,059,582
Other general and administrative expenses	2,394,841	2,725,760	2,652,244	2,646,409	2,532,213
Operating expenses before credit impairment charge	7,497,946	7,451,070	6,926,522	6,741,901	6,385,841

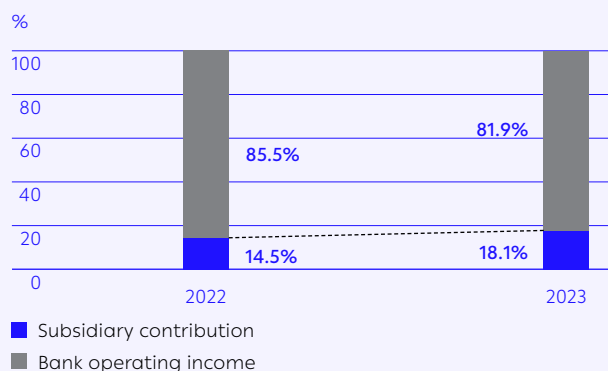
chief financial officer review of 2023 performance

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Description	2023 SAR '000	2022 SAR '000	2021 SAR '000	2020 SAR '000	2019 SAR '000
Impairment charge for financing and other financial assets, net	1,504,178	2,001,259	2,345,086	2,165,740	1,772,265
Total operating expenses	9,002,124	9,452,329	9,271,608	8,907,641	8,158,106
Income for the year before Zakat	18,529,285	19,122,690	16,444,790	11,813,619	11,326,358
Zakat for the year	(1,908,126)	(1,971,865)	(1,698,579)	(1,218,071)	(1,167,831)
Net income for the year	16,621,159	17,150,825	14,746,211	10,595,548	10,158,527

Operating income of the Bank and its subsidiaries for 2023

Group operating income distribution



Subsidiaries operating income

ARC	1,319,018
Tuder	174,061
Tanfeeth	1,165,138
Emkan	1,047,901
Tawtheeq	11,497
Neoleap	396,275
Ejada	335,668
Malaysia	310,368
Kuwait	66,338
Jordan	162,140
Total	4,988,404

Total operating income

Al Rajhi Bank delivered a solid operating income for the year of 2023, driven by both yield and non-yield income. As a key objective outlined in the BOTF Strategy, we continued to focus on improving our revenue mix, with non-yield income representing 22.7% of total operating income as of 2023, a notable shift from 18.4% in December 2020 at the onset of the Strategy cycle.

Trade and cash management fee income corresponding to the growth of the corporate business registered a strong YoY growth and contributed to the revenue mix. Other fee income from digital-payment services such as cards and POS also witnessed notable YoY growth of 5.4% and 17.0% respectively. Exchange income grew by 7% YoY.

chief financial officer review of 2023 performance

Operating expenses

The Bank's operating expenses for the period closed at SAR 7.5 Bn. a rise of nearly 1% YoY, the marginal increase in line with the overall YoY growth of the Bank's balance sheet and transaction volumes compared to the same period last year. A number of strategic investments were also made during the year to deliver ambitious KPIs of the BOTF strategy, contributing towards the operating expenses.

Based on this overall performance, the Bank was able to deliver a leading Cost-to-Income ratio (CIR) in the local market, reaching 27.2% for the year in review.

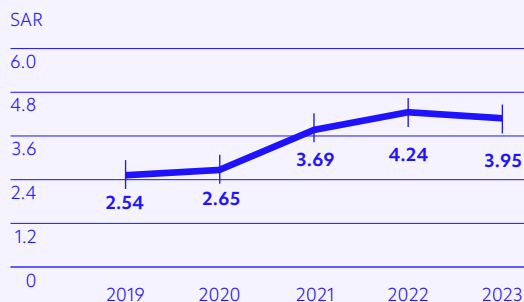
Impairment charges

In accordance with IFRS 9 requirements issued by the International Accounting Standards Board (IASB), we updated the Bank's 'expected credit loss' (ECL) model for the recognition of impairment, taking into consideration the positive macroeconomic outlook for the Kingdom of Saudi Arabia. The net impairment charge for 2023 amounted to SAR 1.5 Bn., a YoY decline of 25% driven by stable asset quality, good recoveries, and the Kingdom's favourable macroeconomic outlook. The cost of risk for the period improved by 14 basis points to 0.25%, given the lower impairment charges and the solid growth of the financing portfolio during the year.

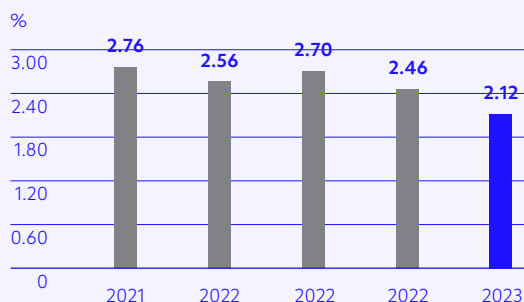
Profitability

For the year 2023, Al Rajhi Bank delivered a net income after Zakat amounting to SAR 16.6 Bn. with a marginal decline of 3% YoY. The Bank however continued to deliver industry leading return metrics, with a steady Return on Risk-Weighted Assets (RORWA) at 3.26%, Return on Assets (ROA) at 2.12%, and market leading Return on Equity (ROE) at 19.35% for 2023.

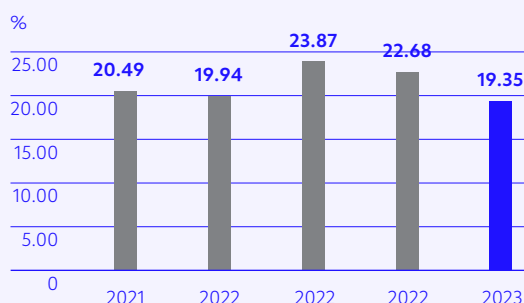
Earnings per share (EPS)



Return on average assets



Return on average equity



chief financial officer review of 2023 performance

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Statement of Financial Position – five-year summary

Description	2023 SAR '000	2022 SAR '000	2021 SAR '000	2020 SAR '000	2019 SAR '000
Cash and balances with Central Bank	41,767,641	42,052,496	40,363,449	47,362,522	39,294,099
Due from banks and other financial institutions, net	9,506,673	25,655,929	26,065,392	28,654,842	32,058,182
Investments, net	134,298,611	102,146,142	84,433,395	60,285,272	46,842,630
Financing, net	594,204,806	568,338,114	452,830,657	315,712,101	249,682,805
Investment properties, net	1,362,658	1,364,858	1,411,469	1,541,211	1,383,849
Property and equipment, net	12,852,774	11,338,782	10,665,799	10,234,785	10,407,247
Other assets, net	14,105,109	10,722,567	7,874,467	5,033,990	4,417,764
Total Assets	808,098,272	761,618,888	623,644,628	468,824,723	384,086,576
Dues to banks and other financial institutions	97,246,889	70,839,117	17,952,140	10,764,061	2,219,604
Customers' deposits	573,100,607	564,924,688	512,072,213	382,631,003	312,405,823
Other liabilities	30,991,345	25,630,048	26,338,711	17,311,141	18,269,492
Total liabilities	701,338,841	661,393,853	556,363,064	410,706,205	332,894,919
Equity					
Share capital	40,000,000	40,000,000	25,000,000	25,000,000	25,000,000
Statutory reserve	33,442,996	29,287,706	25,000,000	25,000,000	21,789,632
Other reserves	(96,606)	(427,569)	282,107	(134,728)	(216,041)
Retained earnings	16,913,041	9,864,898	16,999,457	8,253,246	868,066
Proposed dividends	0	5,000,000	0	0	3,750,000
Equity attributable to shareholders of the Bank	90,259,431	83,725,035	67,281,564	58,118,518	51,191,657
Tier 1 Sukuk	16,500,000	16,500,000	0	0	0
Total equity	106,759,431	100,225,035	67,281,564	58,118,518	51,191,657
Total liabilities and equity	808,098,272	761,618,888	623,644,628	468,824,723	384,086,576

Assets

Marking a milestone achievement during the year in review, Al Rajhi Bank passed the SAR 800 Bn. mark in total assets, closing 2023 with assets amounting to SAR 808 Bn. and recording an 6.1% YoY growth. The Bank's asset quality continued

to be the best in the market with 96.5% of our financing portfolio falling under the definition of stage 1 assets under the IFRS 9 classification. In addition, stage 2 and stage 3 assets stood at 2.3% and 1.2% of the financing portfolio

chief financial officer review of 2023 performance

respectively. Our stage coverage ratios remained higher than market average, with a stage 3 coverage of 60%, a stage 2 ratio of 12%, and stage 1 ratio stable at 0.43%.

Our prudent risk management and strong credit quality continued to be reflected in our NPL ratio, which remained the lowest in the market at 71 bps. The Bank's NPL coverage ratio too, led the banking sector at a healthy 203%.

Deposits and other liabilities

Total liabilities of Al Rajhi Bank stood at SAR 701 Bn. at the close of the year, a YoY increase of 6.0%. Our customer deposits increased by SAR 10 Bn. during 2023 to reach SAR 573 Bn., a YoY growth of 1.4%. Demand deposits made up almost 64% of the overall customer deposits, while time deposits increased by almost SAR 6 Bn. YTD. Interbank borrowing increased 37% YoY to exceed SAR 97 Bn. It is worth mentioning that out of the syndicated amount of SAR 11.6 Bn., approximately SAR 10 Bn. is from a USD syndicated green loan.

Stability

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

Liquidity

Al Rajhi Bank retained a healthy liquidity position in 2023, with a regulatory Loan-to-Deposit Ratio (LDR) of 83%. Our Net Stable Funding Ratio (NSFR) stood at 110%, comfortably above regulatory requirements. Additionally, Al Rajhi's High-Quality Liquid Assets (HQLA) stood at SAR 137 Bn., recording a 16.0% increase YoY.

Capital

Al Rajhi Bank maintained a strong capital position in 2023, with a tier 1 ratio of 20.4%, and a total capital adequacy ratio of 21.5%. Our total Tier 1 and Tier 2 capital stands at SAR 112 Bn., out of which 95% is Tier 1 capital. Our total Risk-Weighted Assets (RWA) stand at SAR 520 Bn., a 4.5% YoY increase mainly driven by the growth in the financing book led to a 3.7% increase in Credit Risk RWAs. It is worth noting that our RWA density stands at 64.4%, compared to 65.4% recorded during the preceding financial year.

The year in review saw Al Rajhi Bank focus on strong internal capital generation, supporting the capital position of the Bank as we continued to identify and capitalise on new business opportunities.

Future outlook

With the close of 2023 marking the culmination of our very successful and far-sighted Bank of the Future (BOTF) Strategy cycle, Al Rajhi Bank will continue to focus on our core Retail banking, while simultaneously improving our Corporate position. Given the improved outlook and continued diversification of the Saudi economy, Al Rajhi Bank will explore and capture new opportunities through tapping into new segments, with greater focus on fee income across the SME segment that is playing a key role in growing the Kingdom's non-oil economy.

The Bank will continue its work to create a digital financial ecosystem, providing our loyal customers with innovative, accessible and seamless financial solutions that address their evolving needs. Moreover, we continue to focus on increasing product per customers, optimising synergies across Al Rajhi Bank's subsidiaries in investments, microfinancing, digital payment solutions and others to provide our growing customer base with an incomparable customer value proposition.

business portfolio review

retail banking group



The Retail Banking Group (RBG) of Al Rajhi Bank retained its top position as the largest retail lender in the Kingdom, dominating 41.3% of the consumer market during the reporting period.



By successfully implementing the Bank of the Future (BOTF) Strategy at the close of 2023, the Retail Banking Group (RBG) demonstrated a superior performance across key business metrics compared to the baseline year of 2020. This included an impressive 70% growth in financing, and a noteworthy 64% expansion of the active customer base by the end of 2023. This achievement is particularly noteworthy given the challenging backdrop of intense competition and the dynamic changes within the banking landscape in the Kingdom of Saudi Arabia.

Al Rajhi Bank has sustained its leading position in the personal finance market in the Kingdom, expanding its market share to 41% during the year in review. Furthermore, the bank successfully increased its mortgage market share to 41.3%, and retained a robust presence in the auto sector, holding a significant 43.7% share of the

market in the Kingdom of Saudi Arabia (KSA) at the conclusion of the BOTF Strategy cycle. A noteworthy accomplishment of the strategy is the Bank's increased share in the Private Sector, aligning with a key objective outlined in the Bank of the Future (BOTF) Strategy.

The predominant challenge encountered by the retail business throughout the reporting period stemmed from margin compression, resulting from raising interest rates. The year 2023 presented formidable difficulties for RBG, as the increasing Saudi Arabian Interbank Offered Rate (SAIBOR) borrowing rates impacted the Bank's asset demand and liabilities position, resulting in a static year-over-year growth in retail financing. To mitigate this challenge, the bank strategically focused on enhancing the asset product mix, thereby improving yield income and fee income.

Growth during BOTF strategy cycle

Personal financing

41.0% (2020 – 40.6%) ▲

Mortgage

41.3% (2020 – 37.1%) ▲

Auto

43.7% (2020 – 47.6%) ▼

Liabilities – Time and saving

25.5% (2020 – 9.1%) ▲

Despite the upward pressure on rates affecting the deposit mix in 2023, RBG demonstrated resilience by successfully introducing innovative new products that aligned with market demands. This strategic approach not only enhanced customer retention but also facilitated a notable year-over-year growth in customer deposits by 1.4%.

Diversifying our retail portfolio

In 2023, the Bank introduced innovative financial products and services, including a pioneering real estate financing concept tailored for "knock-down rebuild" development projects. Additionally, the Bank expanded its current mortgage financing product offerings to cater specifically to the Kingdom's burgeoning expatriate segment, focusing on the high-salaried demographic within this growing market.

Building on the successful equilibrium achieved in its product portfolio between government-subsidised Real Estate Development Fund (REDF) products and non-REDF products in the preceding reporting period, Al Rajhi Bank maintained strategic collaborations with the Kingdom's

Ministry of Housing (MOH) and its investment arm, the National Housing Company (NHC). This ongoing collaboration aimed to address the challenges posed by the slowing growth of KSA's mortgage market, attributed to recent subsidy programme changes. The primary objective was to offer more tailored subsidies to customers, fostering an environment conducive to growth.

Furthermore, this collaborative initiative sought to attract and increase the participation of real estate developers, directly contributing to increased mortgage sales numbers and the expansion of the overall portfolio. The outcome of these efforts manifested in a noteworthy 5.6% year-over-year growth in mortgage financing. This substantial growth not only underscored Al Rajhi's commitment to addressing market challenges but also ensured the bank's sustained leadership in the mortgage market, maintaining a prominent market share throughout the year under review.

In 2023, the Sahlha Programme was introduced as part of RBG's personal financing portfolio. This programme provided retail customers with access to an expanding network comprising over 700 approved merchants. Customers were empowered to make purchases from these merchants using a monthly instalment scheme spanning up to 60 months, and notably, without incurring any administrative fees.

In 2023, Al Rajhi Bank introduced a suite of innovative liabilities products designed to address the evolving needs of the market:

- **Million Saving Account**
 - Account holders have the opportunity to win SAR 1 Mn. every 8 weeks
 - Participation in weekly draws of SAR 10,000 enhances the chances of winning the grand prize
- **Awaeed Account**
An investment product tailored to assist Al Rajhi customers in increasing their capital through short and mid-term, predominantly low-risk investments
- **Future Account**
A savings plan that automates the deduction of a fixed amount from the customer's current account, facilitating disciplined and structured saving

business portfolio review

retail banking group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

• Hassad Account

A Mudaraba-centric savings account providing customers with the flexibility to make withdrawals and deposits while enabling the execution of other essential banking services.

Moreover, during the reporting period, RBG undertook the launch of several new Sharia-compliant Takaful insurance products and solutions. This initiative aligns with the bank's strategy to contribute to income growth through fee income. The new insurance products aim to provide customers with comprehensive savings and protection programmes, further enhancing the bank's diverse offerings in the financial services landscape.



Saving and protection programmes

Investment plans for savings to achieve long-term goals and financial stability, with the flexibility of payment and contract terms at any time.



General insurance programmes

Comprehensive home coverage from unforeseen risks and associated financial costs, covering three categories: building, contents, and personal accidents.



Health insurance programmes

Comprehensive cover to provide financial stability for family members, as well as other health cover including protection for domestic helpers.



Motor insurance programmes

A range of vehicle insurance cover from comprehensive to third-party liability coverage, supported by online claims portal for optimal turnaround times.

During the reporting period, a significant milestone was achieved as all credit and prepaid cards were seamlessly migrated to the Bank's advanced card management system, Cortex. This system, integrated with the core banking infrastructure and in 2022, serves as a comprehensive solution for the issuance, management, and processing of credit, debit, and prepaid cards.

As part of this transition, retail customers were introduced to a diverse array of new card options. Notable among these was the Prepaid Computer Gaming Card, offering exclusive benefits to enhance the gaming experience, including unlimited cashback on both local and international purchases. Additionally, the introduction of the Infinite and Platinum Alfursan Cards provided users with the opportunity to earn redeemable Alfursan Rewards Miles on Saudia Airlines based on their daily spending.

The strategic expansion into niche and untapped demographics resulted in a noteworthy increase in card spend. This growth is indicative of the successful penetration into targeted market segments, reflecting the positive impact of the new card offerings on customer engagement and spending behaviour.

Real Estate Finance Risk

The Bank's total outstanding residential real estate finance portfolio as of 31 December 2023 was SAR 234 Bn. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the bank's internal risk management framework.

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

(i) Life Insurance: The life insurance provides financial protection in the event of death resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount from insurance company.

(ii) Disability Insurance: The disability insurance provides financial protection to recover the outstanding financing amount in the event that the policyholder becomes fully and permanently disabled and is unable to work or engage in an income earning activity.

(iii) Property Insurance: Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected/unforeseen events.

Evolving customer value proposition

Al Rajhi Bank has consistently advanced and enriched its customer value proposition through a strategic focus on identifying and segmenting retail customers based on their lifestyles and credit requirements. In alignment with the ambitious goals set forth by the Kingdom's Vision 2030, and in a commitment to enhance accessibility to financial services, the bank extended its entire suite of retail

products to an online platform. Notably, during the reporting period, the bank expanded its retail vertical by incorporating two additional customer segments: youth and expatriates.

This customer-centric approach has empowered Al Rajhi Bank to effectively harness Group synergies, optimising the customer lifetime value across diverse business verticals. By tailoring its offerings to the unique needs of these specific customer segments, the bank not only addresses evolving market dynamics but also positions itself strategically to contribute meaningfully to the realisation of Vision 2030 objectives. The expansion into online services further underscores the bank's commitment to fostering convenience and accessibility for its valued customers.

The culmination of the Bank of the Future (BOTF) Strategy cycle in 2023 marked a significant milestone characterised by comprehensive bank-wide automation, accelerated digitalisation, and the successful completion of the core retail banking system replacement project, alongside numerous infrastructure and technology upgrades. The seamless installation, integration, and launch of globally benchmarked systems such as NewGen and Temenos T24 have not only fortified the bank's technological foundation but also ushered in greater operational efficiencies.



business portfolio review

retail banking group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

The implementation of these cutting-edge systems has notably enhanced response times, fostering a more agile and responsive operational environment. Importantly, these advancements have positioned the bank for scalability across the retail business vertical, ensuring it can adapt to evolving market demands and is able to meet the growing expectations of customers. The successful execution of the BOTF Strategy reflects the bank's commitment to staying at the forefront of technological innovation, ultimately delivering a more streamlined and technologically advanced banking experience for its customers.

In the course of the year, several financing processes, including the generation of promissory notes, underwent automation. RBG's instant approval engine played a pivotal role in significantly reducing turnaround times for all financing requests, concurrently eliminating potential vulnerabilities to financial fraud and human error.

As a pivotal step towards modernisation, all physical branch transactions were fully automated, completing the transition to digital channels by the close of 2023. This transformative shift not only enhances operational efficiency but also highlights the Bank's commitment to technological innovation and ensuring a secure, streamlined experience for its customers.

The successful implementations have led to notable improvements in customer satisfaction and retention rates, as indicated by a Retail Net Promoter Score (NPS) of 81 in 2023. This represents a noteworthy increase from the 75 recorded in the previous year's reporting cycle. The upward trajectory in NPS emphasises the positive impact of these initiatives on the overall customer experience, affirming the effectiveness of the bank's strategies in maintaining and enhancing customer loyalty.

Customers experienced enhanced services through the Bank's optimisation of its physical branch network, involving strategic actions such as relocation, merging, and restructuring of branches.

This initiative was complemented by the upgrading of in-branch machines, including kiosks and deposit ATMs, aimed at delivering an improved and seamless banking channel experience.

In addition to physical branch enhancements, various sales channels, such as direct sales, branch sales, and telesales, were actively utilised throughout 2023. Furthermore, the introduction of a new third-party smart platform contributed to increased overall sales channel efficiencies and expanded outreach. These initiatives collectively reflect the bank's commitment to providing diverse and upgraded avenues for customer engagement, ensuring a more accessible and convenient banking experience.

The Retail Banking Group's steadfast efforts to navigate a challenging operational landscape while continuously delivering innovative solutions tailored to meet evolving market demands were not only recognised but also celebrated. In 2023, the Retail Banking Group was honoured with the esteemed "Best Retail Bank – Saudi Arabia" accolade at the MENA Banking Excellence Awards, alongside various commendations and honourable mentions. This recognition signifies the bank's commitment to excellence, innovation, and its dedication to addressing customer needs, further solidifying its position as a leader in the retail banking sector.

Future outlook

Product innovation will be front and centre of the Retail Banking Group's future outlook, as it continues to build an innovative product portfolio focused on meeting evolving market demands and increasing market share. Optimised customer experience with a high-level of personalisation will also remain a key growth driver for the retail business vertical, as RBG seeks to improve its customer value proposition through the orchestration of data, insights and technology.





corporate banking group

In a fiercely competitive operating environment and a year significantly impacted by SAIBOR rate hikes and high Cost of Funds (COF), Al Rajhi Bank's Corporate Banking Group (CBG) strengthened its reputation as a Corporate Bank of choice in the Kingdom of Saudi Arabia, recording a 20% growth during the year in review.



The Bank's corporate loan book reached SAR 134 Bn. in value, successfully surpassing the year's set target at the close of 2023.

Despite the challenges and market volatility, CBG recorded a strong performance in 2023; corporate operating income increased by 67% to SAR 7,533 Mn., with net yield recording strong growth of 79% YoY while fee income experienced a marginal drop. Net income rose by a remarkable 120% YoY to reach SAR 7,371 Mn. Non-performing loans (NPL) and net credit losses (NCL) improved YoY to 1.22% and -0.87% respectively, stabilised by significant recoveries made during 2023.

The performance by CBG resulted in Al Rajhi Bank being ranked among the top three Corporate Banks in the Kingdom at the close of 2023, and scoring the Kingdom's highest Net Promoter Score (NPS) in Corporate Banking.

Growth through strategic foresight

CBG continued to build on the Bank's 360-degree client coverage model during the year in review, comprehensively covering both Relationship and Product perspectives with a "One Client, One Bank" approach. CBG executed a number of campaigns to increase cross-selling during the reporting period based on customer requirement and market demand.

business portfolio review

corporate banking group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

CBG continued to establish B2B services by leveraging synergies across the Al Rajhi Group including Al Rajhi Capital, Treasury Group, Private Banking and Al Rajhi Takaful. As such, CBG successfully recorded a notable 135% YoY growth in foreign exchange (FX) business and opened a good number of new Private Banking accounts during the year under review.

While CBG registered a comparatively marginal growth in Trade Contingent (TC) market share to 7% from 5.7% in 2022, there was a very significant 24% increase in Trade Fee income during the year. Corporate Escrow transaction value reached SAR 2.7 Bn. in 2023.

Empowering the Micro, Small, and Medium Enterprises

One of the key strategic initiatives implemented by Al Rajhi Bank was shifting the Micro and Small Business (MSB) Unit from the Retail Banking Group to the Corporate Banking Group during the year in review. This ensures that the CBG now has a more focused approach to service the Kingdom's growing Micro, Small and Medium Enterprise (MSME) sector all under one umbrella, with product portfolios tailored to meet market needs, and synergies across business units that can be better leveraged to provide the segment with comprehensive financial solutions.

With the important role of SMEs in the diversification of Saudi Arabia to a non-oil economy, CBG introduced a number of new products and financial solutions to the sector in 2023; the SME Bundle – a comprehensive suite of non-financial services designed exclusively for SMEs was introduced to the market during the reporting period. The Bundle products included Corporate Credit, Prepaid Cards, Payroll Service as well as Payroll Cards, providing SMEs a one-stop-solution for their financial needs.

Coinciding with the shift of the MSB Unit under CBG, the year kicked off the development and approval of new programme based and discretionary lending products targeting the MSB and SME customer base:

- POS Financing (MSB and SME)
- Fleet Financing (MSB and SME)
- Business Instalment Financing (MSB and SME)
- Invoice Financing (MSB and SME)
- eCommerce Financing (MSB)
- EIRAD (MSB)
- Rent Financing (MSB)
- General Premium Financing (MSB)
- Medical Premium Financing (MSB)
- Collateralized Secured Financing (SME)

The rapidly evolving merchant ecosystem

Expanding and acquiring Point-of-Sale (POS) market share remained one of the key objectives of CBG for the year in review, with Al Rajhi Bank retaining its market-leading position in the Kingdom with a 35.4% in POS market share comprising +601,000 POS terminals and +220,000 loyal merchants.

2023 marked the successful revision of CBG's comprehensive Supply Chain Finance (SCF) Program in line with Saudi Vision 2030 objective of supporting private sector growth and meeting their growing trading requirements. Key features of the SCF Program includes customer assessments, receivables verification, concentration management, ledger reconciliation and control of customer payments, enabling the Bank to manage product, dispute, fraud and other risks that may result in non-payment by the Buyer. Furthermore, the SCF Program is powered by a strong technological platform / solution that is accessible to all supply chain participants, which contributes to the progress of Saudi Arabia's evolving merchant ecosystem.



One new supply-chain variant was added under the SCF Program, namely "Buyer Financing", which would mainly focus on Small and Medium Enterprises.

Enhancing client engagement

Client engagement is considered a key driver of business growth at Al Rajhi Bank, with the Corporate Banking Business Team connecting with customers by making over 2,115 client visits and calls throughout the reporting year. Such consistent engagement has enabled CBG to better understand customer needs, improve customer satisfaction levels, and successfully exceed customer expectations by providing better suited financial solutions for businesses.

CBG continued to consolidate resources and co-locate under the 'One Stop Shop' initiative in 2023, increasing the number of Business Solution Offices (BSOs) or 'Corporate Desks' at Al Rajhi Retail Banks to from 86 in 2022 to 100 at the close of the reporting year.

Driving growth through digitization

Many initiatives and projects were carried out during the reporting period under the CBG's digital agenda. The Bank continued system enhancements and process automations to improve customer experience, enhance business delivery and support growth momentum during the reporting period; A number of internal processes were digitised, and the credit application and decision-making process was automated for SME and Private Banking segments, supported by the automation of security documentation. CBG leveraged its customer relationship management system to identify more cross-sell opportunities, while also appointing Relationship Managers for highly personalised, one-on-one discussions to assist customers in achieving their financial goals.

Both the e-Business Portal and e-Business Mobile App were revamped in 2023, resulting in an increase in the digital onboarding of corporate clients. 87% of all newly opened corporate accounts were opened via online channels.

Corporate digital banking services were further augmented with SWIFTNet connectivity in 2023, with clients able to access their bank accounts for inquiries and transaction services online via the SWIFT network protocol.

Strongly aligning with Vision 2030

Beyond supporting the growth of the MSME segment, CBG continued to be a major contributor to several other primary drivers of Vision 2030. Engaging with major public and private sector stakeholders, CBG collaborated with stakeholders to provide best-in-class financial solutions across emerging verticals such as tourism, entertainment and industrial sectors.

Al Rajhi Bank continued in its role as the primary bank for key government entities, and further strengthened its relationship with Monsha'at - the Kingdom's SME General Authority - by collaborating and hosting awareness sessions for MSME customers during the year under review.

CBG formalised memorandums of understanding (MOUs) with government institutions such as the Ministry of Investment, the National Centre for Privatisation, and the Local Content and Government Procurement Authority in 2023, to support public sector projects through advanced financial solutions. Charitable accounts were also shifted from the Retail to Corporate, and have been segmented alongside Government accounts and other projects that are part of the Kingdom's Vision 2030 agenda.

business portfolio review

corporate banking group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Awards and recognition

Al Rajhi Bank was duly recognised for the focused effort made by CBG during the year in review to provide segmented and highly-curated corporate banking solutions.

The Bank's commitment also won it national and global awards and accolades:

Presented by Global Finance

- ✓ Best SME Banking in the Middle East
- ✓ Best Corporate Bank in KSA
- ✓ Best Online Cash Management Services in KSA
- ✓ Best Trade Finance Services in KSA
- ✓ Best Mobile Banking App in KSA

Presented by Global Trade Review

- ✓ Best Local Bank in KSA – 2023:
Award in Trade Finance

Presented at the Saudi Trade Finance Summit and organised by QNA

- ✓ Best Trade Islamic Finance Bank (KSA) 2023
- ✓ Customers Choice Trade Finance Bank (KSA) 2023
- ✓ Best Trade Digitised Bank (KSA) 2023

Future outlook

With the completion of the BOTF Strategy Cycle in 2023, the Corporate Banking Group has identified and prioritised key focus areas for growth in business and market share for 2024 and beyond, with emphasis placed on contributing to the growth of the Kingdom's MSME segment through innovative financial products and solutions. CBG is also looking at SME bundled offerings, as well as payments and cash management solutions, supporting the Kingdom's ambitious Vision 2030 target of diversifying the economy. Corporate investment banking, embedded financing, and trade financing are also focus areas for the immediate future. The Bank also plans to utilise its data and insights to identify and cross-sell products and services from across the Al Rajhi Group's subsidiaries to Corporate clients.

CBG will continue its digitization journey and leverage improved digital capabilities and products to grow market share across the Kingdom, thereby solidifying its reputation as the Bank of choice for Corporate clients, regardless of the scale of business. CBG also plans to expand its physical network even further at the close of 2024.



treasury group

2023 was a year marked with increased financial market volatility in rates, currencies and commodities, further compounded by global inflation and major credit events in US and European Banks (such as Silicon Valley and Credit Suisse). While 100 basis point hikes YTD raised the interest rate by 22%, increasing geopolitical risks in the region also had far-reaching effects on the global economy.

Despite the challenging operating environment, Al Rajhi Bank's Treasury Group remained strongly positioned to overcome headwinds and capture business opportunities by enhancing its treasury products and services during the year in review. The year's success is evidenced by healthy regulatory ratios, a diverse and expanding product portfolio, an expanding customer base, and an increased operating income, which was the result of the Treasury Group acquiring high-quality assets and successfully expanding its investment book in 2023.

The growing Foreign Exchange (FX) vertical

Al Rajhi Bank's FX Trading Desk enjoyed wide market coverage in trading and market making of over 40 currencies, dealing with 128 banks globally. ARB's overall FX trading income recorded a 7.3% YoY increase in 2023.

During the reporting period, Banks faced increasing competition from the FinTech sector and other new entrants in the retail and commercial FX space. However, a number of initiatives were implemented to strategically elevate Al Rajhi Bank's position in the market as well as among its peers, and its capability to reach out to a larger segment of businesses in key currencies.

The Bank strengthened its reputation for dealing in large FX positions, cementing its claim to the largest financial institution (FI) network in the region, strong selling points for large-scale commercial clients and high-valued development projects activated across the Kingdom.

Al Rajhi Bank
strengthened its
reputation for dealing
in large FX positions,
cementing its claim to
the largest financial
institution network
in the region.



business portfolio review

treasury group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Leveraging its FI network, the Bank continued to facilitate cross-border transactions for both corporate and retail customers during the year, diversifying the flow of business and exploring new geographical markets. Customer FX volumes alone increased by 14.5% YoY in 2023, leading to a 7.3% increase in exchange income, which contributed to partially offsetting the dip in the Bank's operating income for the year.

ARB secured 18.9% of the Kingdom's FX income market share by the end of the reporting period, competing against both local and foreign peers. The Treasury Group's achievements in the Foreign Exchange domain were recognised with the country award for **"Best Forex Provider in Saudi Arabia – 2023"** presented by Global Finance.

Secured 18.9%

of the Kingdom's FX income market share

Leveraging the largest FI network

in the region

Awarded

Best Forex Provider

in Saudi Arabia – 2023 by
Global Finance

Diversifying funding sources

The Treasury Group continued to strengthen the Bank's balance sheet structure by diversifying funding sources, enhancing liquidity, and maintaining regulatory ratios. Diversified funding ranged from senior unsecured sukuk to syndicated and bi-lateral loans and term repurchase agreements (term repos), enabling the Bank to enhance regulatory ratios.

Treasury also embarked on various Cost of Funding (CoF) optimisation initiatives and constantly monitored and assessed paid-in liabilities pricing. CoF remained optimised, staying below the three-month SAIBOR rate (Saudi Arabian Interbank Offered Rate) year-to-date.

The reporting year marked ARB's first USD Sukuk issuance in international capital markets following the successful local issuances in SAR in 2022. The five-year sustainable Sukuk for amount of USD 1 Bn. with a profit rate of 4.75% and an orderbook peaking over USD 3.75 Bn., reflecting growing confidence of global and regional investors. Proceeds from the issuance will be channelled towards Environmental and Social financing, further strengthening the Bank's commitment to its Sustainable Finance Framework, and its contribution towards the Kingdom's Net Zero and Vision 2030 objectives¹.

In 2023, Al Rajhi Bank concluded yet another three-year dual tranche sustainability commodity Murabaha facility valued at USD 1.43 Bn., the second consecutive landmark Sharia-compliant syndication. The Bank succeeded in almost doubling the initial offer, going at 1.9x due to increased interest by the investor community. A group of 11 global investors from across Europe, Asia and Middle East supported Al Rajhi Bank on the transaction, demonstrating the confidence placed the Bank's commitment to sustainable financing.

treasury group

Al Rajhi Bank was duly recognised for being the first Islamic Financial Institution in the world to conclude a similar three-year syndicated dual tranche facility valued at USD 1.265 Bn., and was awarded Best Islamic Syndication of **the Year at the Bonds, Loans and Sukuk Middle East Awards 2023**². All this contributed towards ARB's Long-Term Foreign Currency (LT FC) credit rating being upgraded during the reporting period from "BBB+" to "A-" by S&P Global – a leading global provider of credit ratings, benchmarks and analytics.

A future-ready product portfolio

Treasury Group continued to expand its product suite during the reporting year; as part of the 2023 product enhancement initiative, Treasury enhanced the Bank's rate hedging product portfolio to meet current market demand, while also offering cost reduction solutions and hedging solutions to clients.

The ARB Treasury portfolio remains well diversified in terms of duration, credit rating and geographical distribution, with a wide range of Sharia-compliant asset classes that continue to enhance and diversify income streams, and improve yield pickup while managing the Bank's liquidity in the medium- to long-term. Islamic investment products including repos for yield enhancement and funding remained on the portfolio since their successful introduction during the previous financial year.

An evolving customer value proposition

Further strengthening our client value proposition in 2023, Treasury Group conducted an in-depth derivatives products awareness session for corporate clients, with an overarching purpose to augment client understanding of how derivative products can offer solutions to their existing and

emerging financial requirements. Post session, clients showed extended eagerness to explore derivatives products further, contributing to a 30.5% YoY increase in derivative income.

The Treasury Group continued to strengthen its tech infrastructure during the year in review, with multiple process and regulatory report automations. The growing FX trading business was strengthened with automated capabilities and enhanced features, while Treasury's Electronic Trading engine extended its live FX pricing across Group subsidiaries, thereby boosting Treasury's FX flows. Additionally, the Islamic Murabaha 'Direct Investment' deposit product was offered digitally through the ARB mobile app, enhancing customer experience in terms of innovative and highly-accessible investment solutions.

As good as gold

Despite fluctuations in price, gold retained its status as a global safe-haven asset, with investors turning to gold purchases during economic and market turmoil as well as periods of high inflation. ARB therefore ensured clients were afforded access to the bullion market through both conventional and digital channels during the year in review. Treasury's digital gold wallet – Paper Gold – underwent a number of enhancements to customer and back-end features including gold re-assignment, reporting, wallet liquidation and wallet transfer to name a few, improving service quality and digital user experience.

2023 also saw Treasury Group extend digital Paper Gold services to commercial entities through the Bank's E-Business Portal, with enhanced features for a seamless trading experience. The Bank's physical gold business rapidly expanded to the Saudi wholesale market in 2023.

treasury group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary



Performance of Physical and Digital Paper Gold

YoY growth in Turnover:
increased by

63.6%



YoY growth in income:
increased by

3.3%



YoY growth in transactions:
decreased by

-18%



YoY growth in quantity (kg):
Increased by

55%



Future outlook

For 2024, the Treasury Group's focus will remain on enhancing and diversifying its growing portfolio as it continues to strengthen the balance sheet, enhance ratios, and increase market share. Treasury will look at introducing product offerings across asset classes and new geographies, while also continuing to consolidate its FX trading business further, as the Bank implements a new strategy cycle.



The number of Small and Medium Enterprises (SMEs) in Saudi Arabia reached 1.27 million by Q3 of 2023 as per a report by the Small and Medium Enterprise General Authority (Monsha'at) driven by the Kingdom's efforts to diversify towards a non-oil economy. Private sector investments in SMEs experienced a YoY growth of 18.8% according to the report, surpassing SAR 260 Bn., and thereby playing a significant role in fueling the Saudi economy, and driving ambitious Vision 2030 targets. The Monsha'at Report also highlighted the crucial role played by the National Industrial Development and Logistics Program in bringing more SMEs into the industrial and manufacturing sectors during the reporting period.

This robust non-oil economic growth is a sign of a rapidly maturing entrepreneurial ecosystem that continued to be supported by Al Rajhi Bank during the year in review, with the Bank's dedicated Micro and Small Business (MSB) Unit offering tailored products and financing solutions to a growing MSME market.

MSME business

Al Rajhi Bank's MSME Portfolio – inclusive of medium-sized enterprises – successfully grew 22.8% from SAR 25.5 Bn. in 2022 to reach SAR 31.3 Bn. at the close of the 2023 financial year, with a steadily increasing market share.

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

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

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

The robust non-oil economic growth is a sign of a rapidly maturing entrepreneurial ecosystem that continued to be supported by Al Rajhi Bank during the year in review.



MSME business

- Overview
- Context
- Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Al Rajhi Bank services businesses classified as "Micro" through structured lending products offered by its MSB unit, and collectively serves businesses classified as "Small" and "Medium" through its SME unit, both under the Corporate Banking Group with different policies for lending due to their varying financing requirements.

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

Strategic initiatives taken to support the MSME segment

With the aspiration to become the Bank of Choice for MSMEs in the Kingdom, Al Rajhi Bank continued to build and implement strategic initiatives to support the growth of MSMEs in a dynamic operating environment:

- Focusing on programme and product-based lending to ensure a greater reach across a diverse and fast-growing MSME sector.
- Utilising all available channels including direct sales, corporate sellers and branches to onboard MSME customers and increase market share.
- Introducing e-commerce financing as a new product to the MSME segment.
- Introducing financing options for POS Finance, E-Commerce, and Business Instalment Finance through digital channels.
- Taking measures during the reporting period to ease the approval process, primarily for the MSB segment while maintaining good portfolio quality.
- Enhancing the acquisition and service delivery model to improve customer acquisition, supported by digitised and automated processes that supports better turnaround time and faster/instant approvals.

- Focusing on structured products and secured lending for SME clients to improve non-performing loan (NPL) ratios, while also improving remedial infrastructure to manage and improve recovery activities.
- Maintaining a dedicated call centre for MSB customers, and allocating two dedicated toll-free numbers for MSB as well as SME customers for customer queries and servicing, thereby providing an unrivalled customer experience.
- Implementing more efficient account planning techniques and improving the Bank's MSME portfolio management process, to better understand and serve clients.

Ahead of the competition

The main objectives of the MSB Unit for 2023 was to grow its lending portfolio and market share by onboarding new customers, especially focused on its service delivery model. Given the promising nature and growth potential of the Kingdom's MSME Sector, the Business Unit faced stiff competition during the reporting period, which was further compounded by the increased cost of funding (COF).

In order to face these market challenges, the MSB Unit expanded the MSME lending portfolio and services, introducing a number of new borrowing as well as non-borrowing products in 2023. The Unit also launched multiple promotional campaigns to provide MSME customers with discounts, bundled offers and other promotions to fulfil their financing needs.

The MSB Unit, in alignment with the final phase of Al Rajhi's Bank of the Future (BOTF) Strategy, enhanced its core systems that contributed towards greatly improving efficiencies and reducing turnaround times during the year in review, further enriching its customer experience. The Business Unit also continued to digitise its product portfolio, with the end-to-end digitization of three products completed at the close of the financial year, and the digitization of the remaining products is on track to be completed on schedule in 2024.

MSME business

Aligning with Vision 2030

A number of ambitious metrics have been established for small and medium enterprises – including microenterprises – under the Financial Sector Development Programme of the Kingdom's Vision 2030. This highlights the pivotal role played by the MSME sector in creating a more diverse and resilient economy, one that enables innovation, and the growth of home-grown businesses. Al Rajhi Bank's MSB Unit continued to align with Vision 2030 objectives, and contributed to the progress of these set targets during the year in review by expanding its MSME lending portfolio, and servicing a growing customer base.

Al Rajhi Bank continued its partnerships with semi-government as well as private sector entities during the year under review; key among

these partnerships was the formalisation of the agreement with the Small and Medium Enterprises Bank of Saudi Arabia, to provide more inclusive financing for MSME businesses, along with ongoing agreements with the Real Estate Development Fund and the Tourism Development Fund.

Additionally, the MSME Unit conducted a number of financial guidance seminars and awareness sessions to benefit MSME customers during the period under review. Through 'Support Centers' initiative, Al Rajhi Bank's MSME Unit was able to address inquiries and advise entrepreneurs on financing and banking matters in Riyadh – known for its growing SME ecosystem, as well as across Jeddah, Al Madinah Al Monawarah, and the Eastern Region.

MSME Financing Breakdown for 2023

	Micro and Small		Medium		Total	
	2023	2022	2023	2022	2023	2022
Loans to MSMEs						
On balance sheet (SAR '000)	17,434,097	12,863,559	13,893,524	12,644,010	31,327,621	25,507,568
On balance sheet loans to MSMEs as a % of total on balance sheet loans	2.9	2.3	2.3	2.2	5.3	4.5

Future outlook

As the growth of the MSME Sector in the Kingdom is looking very promising in line with the aspirations of Vision 2030, Al Rajhi Bank will continue to meet the rapidly evolving needs of the MSME Sector through the MSME Unit, bridging identified financing gaps, introducing innovative products and diversified lending solutions that better suit MSME needs. The Business Unit will also continue to digitise more products in order to provide a more complete, seamless and easily accessible banking experience to customers. Partnerships will continue to be formalised with both private and public sector entities, enabling more financing for the sector.

subsidiaries and international branches

Name of Subsidiary	Capital (SAR '000)	Ownership of the Company (%)	Country of Establishment	Country of Operations
 Al Rajhi Capital Company – KSA	500,000	100	KSA	KSA
 Management and Development for Human Resources Company – KSA	500	100	KSA	KSA
 Tudor Real Estate Company – KSA	1,000	100	KSA	KSA
 Emkan Finance Company – KSA	2,000,000	100	KSA	KSA
 Tawtheeq Company – KSA	10,000	100	KSA	KSA
 International Digital Solutions Co. (Neoleap) – KSA	150,000	100	KSA	KSA
 Ejada System Limited Co. – KSA	1,000	100	KSA	KSA

Name of international network	Capital (SAR' 000)	Ownership of the Company (%)	Country of Establishment	Country of Operations
 Al Rajhi Bank – Kuwait	389,888	100	Kuwait	Kuwait
 Al Rajhi Bank – Jordan	264,843	100	Jordan	Jordan
 Al Rajhi Bank – Malaysia	1,511,126,476	100	Malaysia	Malaysia
 Al Rajhi Financial Markets Ltd	188	100	Cayman Islands	Cayman Islands

International Business Group Highlights 2023

	Revenue	Expenses	Net profit
 Kuwait	66,337,727	58,221,150	8,116,577
 Jordan	162,140,356	112,922,188	49,218,168
 Malaysia	310,367,632	232,159,787	78,207,845

subsidiaries and international branches



Al Rajhi Capital (ARC) – the largest broker in the Kingdom – maintained its leadership position in traded brokerage value with more than 18.1% market share, the highest in the Saudi Capital Market. This was in spite of the challenging operating environment, where Global capital markets faced significant challenges in 2023, negatively impacting major financial hubs including the local market, where trading volumes saw a decrease of -22% YoY.

The introduction of ARC's new mobile super app at the beginning of the reporting period further strengthened this position, leading to a 42% increase YoY in the number of active clients.

ARC extended coverage to 38 markets around the world for international brokerage by the end of the reporting period, thereby increasing cross-selling opportunities within local and international brokerage and asset management portfolios, all which are available in one mobile app. Several attractive promotional campaigns were conducted to encourage participation in international brokerage, enhancing ARC's growing presence in this business vertical.

ARC also became the first equities market maker in the Saudi Exchange Main Market in 2023, with market making introduced to the Saudi Exchange as per the directives of the Kingdom's Vision 2030 Financial Sector Development Programme. The subsidiary has three companies in its portfolio as at the end of the year in review, and will be responsible for enhancing liquidity and contributing to increasing trading volumes for their shares.

With overall market retail trading also recording a -7% decrease YoY, ARC continued executing its strategic 'Expand Institutional Offering' initiative, enhancing its institutional brokerage activities during the year in review. By year end, the institutional trading values have more than doubled compared to the preceding financial year.

al rajhi capital

All efforts to retain the subsidiary's leading position were complemented with capacity building across all business departments. ARC continued to develop and equip its employees to meet market demand and business growth through training programmes ranging from leadership to technical development.

Expanding the asset management portfolio

Since the launch of ARC's strategy in 2020, the subsidiary's Fund Factory has launched 24 funds, including the well-received **Al Rajhi Monthly Distribution Fund** – the first open-ended fund of its kind. In 2023, the Fund surpassed SAR 1.2 Bn. in assets under management (AuM), and performed at more than 16% outperforming its benchmarking index, which decreased by -0.04% during the same period. Following the promising response and performance of the Monthly Distribution Fund, the subsidiary launched the **Al Rajhi Monthly Distribution Fund 2** during the year in review, with AuM of over SAR 550 Mn., along with three more Public Equity Funds. The **Al Rajhi Saudi Equity Fund** performed well at 31.8% during the reporting period, given a 14.2% increase in the Tadawul All Share Index (TASI) in 2023, while the Al Rajhi GCC Equity Fund performance rose to 31.3% for the year. The launch of more such diversified investment products, backed by the reduction of the minimum subscription to invest in mutual funds down to only SAR 10 in several public funds, resulted in the number of unit holders increasing significantly by 547% YoY.

subsidiaries and international branches

al rajhi capital

- Overview
- Context
- Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Performance of funds in 2023

Al Rajhi Saudi Equity Fund:

31.8%

Al Rajhi Growth and Dividends Fund:

33.10% (ranked 1st)

Al Rajhi GCC Equity Fund:

31.27%

Al Rajhi Arab Equity Markets Fund:

29.9% (ranked 1st)

Al Rajhi Freestyle Saudi Equity Fund:

39.7%

Public Funds Launched in 2023:

- Al Rajhi Momentum Fund
- Al Rajhi Inclusion Fund
- Al Rajhi Mid/Small-Cap Fund
- Al Rajhi Monthly Distribution Fund 2
- Real Estate Monthly Distribution Fund

On the real estate front, ARC increased its first Real Estate Investment Traded (REIT) Fund's capital by SAR 1 Bn. during the reporting period, which was the largest capital increase for a REIT fund in the Saudi Market. In addition, the subsidiary also launched three private funds totalling to nearly SAR 7 Bn. in assets under management.

Evolving financial advisory services

ARC's Investment Banking services marked another strong year with successful execution of 13 deals representing a combined value of over SAR 82.4 Bn. During 2023, the Investment Banking Department completed several transactions in Debt Capital Markets (DCM), Equity Capital Markets (ECM), and Mergers and Acquisitions (M&A). Some notable transactions for ARC include:

- PIF Sukuk issuance of USD 3.5 Bn., in which ARC was the sole local broker acting as joint lead arranger
- Al Rajhi Bank Sukuk offering of USD 1 Bn.
- IPO of Jamjoom Pharma raising SAR 1.26 Bn.
- Rights offering of National Agricultural Development Company (NADEC) raising SAR 2.0 Bn.
- M&A transaction of Red Sea International Company valued at SAR 544 Mn.

Al Rajhi Capital has established itself as a prominent player in local, regional and global Sukuk markets, demonstrating its ability to structure and manage Sukuk offerings, while further strengthening the unparalleled trust and confidence that issuers and investors have in the Company. As a result, ARC was awarded the **Best Debt Capital Markets House Award** at the Saudi Capital Market Forum 2023 hosted by Saudi Tadawul Group.

Leveraging the successful execution of large and complex transactions, ARC's Investment Banking service was able to build a healthy deal pipeline across all product lines with several mandated deals setting the stage for another strong year.

AI Rajhi GCC Equity Fund

Best Fund over 3 Years Equity GCC
(Gulf Coop Council)

AI Rajhi GCC Equity Fund

Best Fund over 5 Years Equity GCC
(Gulf Coop Council)

The International Investments Department which was established during the previous financial year continued to activate the diversification into international investment products, setting up full governance structures and internal policies and procedures, as the department expanded its product scope to both public and private investment strategies.

With evolving international investment policy frameworks and a niche demographic of socially conscious investors, ARC remains committed to creating a positive impact through capital investments. The subsidiary has created a foundation to provide a comprehensive suite of investment options for its clients in the coming years.

During 2023, ARC introduced sustainable financial products that contributed towards social cohesion by launching seven endowment funds, established to promote investments particularly in non-profits.

Endowment funds launched in 2023:

- Shifa Health Endowment Fund
- Autism Associations Endowment Fund
- Doyof Al Rahman Associations Endowment Fund
- Orphans Associations Endowment Fund
- Quran Kareem Associations Endowment Fund
- Eastern Region Associations Endowment Fund
- Health Associations Endowment Fund

Digitally ahead of the competition

During the first quarter of the reporting period, ARC introduced a comprehensive, convenient and user-friendly 'Super App' that offers access to ARC services and products, as an all-in-one platform. Users can download the app and access brokerage services to trade in the Saudi Tadawul market, as well as an international brokerage feature that allows users to access a diverse range of investment opportunities.

The functionality and features include a smooth onboarding process to register and open an investment account, with seamless, effortless navigation between each product and service. The development of the application was complemented by the regular upgrades of features based on customer feedback, to achieve the desired benchmark in line with ARC's strategic objectives in both digital transformation and customer experience.

As a result of digital upgrades, trades conducted via digital channels increased by nearly 8% in 2023, with its cross-selling metric recording a two-fold increase YoY from users easily accessing different products and services on one platform. Additionally, the new mobile app was well-received by clients, with a 4.4/5 App Store rating.

ARC's Digital Department continued its digital transformation momentum during the year in review, complementing the upgrades across both brokerage and asset management backend systems. During the year, several features have been introduced to its clients, such as the reinvestment of returns, where clients can reinvest their mutual fund returns automatically, and the monthly subscription, where clients can automate their subscription to any fund on a monthly basis. Adding cash became easier through multiple methods, such as credit card, bank transfer, or funding the investment account via "Apple Pay". Furthermore, clients can redeem their "mokafaa" rewards points into buying power and invest in the Saudi Market at a glance.

subsidiaries and international branches

al rajhi capital

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Exploring group synergies

The subsidiary maintains constant dialogue with Al Rajhi Bank during 2023 in order to explore mutually beneficial collaborations and leverage Group synergies; the seven Endowment Funds were made accessible through the Al Rajhi Bank App's homepage, while the reinvestment process was also simplified for investors via the

Bank App through the 'Smart Investor' feature. The subsidiary also participated in Al Rajhi Bank events to introduce investment opportunities to the Bank's customers, and promote the ARC mobile super app for easy access to financial instruments.

Future outlook

ARC has revamped its strategic plan "Investment Leadership" for 2026, to build on ARC's outstanding achievements of its key performance indicators in investment banking, as well as in brokerage, asset management, real estate, proprietary investments and international investments. The subsidiary will continue to align with the goals of Saudi Vision 2030 through the Financial Sector Development Program (FSDP), and its ambitious goals to "develop an advanced financial market" and "stimulate investment and saving" across the Kingdom. ARC will continue to uphold and set the benchmark in compliance by grasping opportunities arising from regulatory enhancements. The revamped strategy also aims to elevate ARC's alignment with the Al Rajhi Group to leverage unexplored synergies, and enhance digital leadership.

One of the Kingdom's more ambitious Vision 2030 goals is to increase the number of listings in the Saudi Market, while improving savings and investment opportunities across the Kingdom. ARC's brokerage, asset management and investment banking verticals, will leverage

on this market development by enhancing internal capabilities, comprehensive services, and a product range that meets market requirements. Several new opportunities have also opened up, including securities borrowing and short selling, market making, and derivatives.

ARC is also planning to continue broadening its research coverage. Lastly, and in-line with the increase of equity and debt issuances in the Saudi Market, the demand for paying agents and custodians in the market is increasing. To meet this demand, ARC established the Custody and Agency Department throughout last year with respective infrastructures and policies in place, which will contribute to creating a strong track record for the relatively new function.

While disruptors enter the market with different propositions, ARC will continue to enhance its digital leadership, creating a seamless and appealing investment journey for experienced and inexperienced investors alike.



tuder real estate company



Tuder, Al Rajhi Bank's real estate and property management arm, concluded the reporting period on a highly successful note, exceeding its revenue target by 50% for 2023, and surpassing net income targets by 100%. Tuder also achieved a 9% Return on Investment (ROI) on real estate management, and an outstanding 98% occupancy rate, demonstrating the subsidiary's ability to effectively manage and utilise its real estate properties. At the close of 2023, Tuder recorded a total of SAR 198 Mn. in cost savings for Al Rajhi Bank and its subsidiaries that demonstrated its proven capabilities and readiness to access a wider market outside the Al Rajhi Group.

Strategic growth and expansion

With a roadmap that outlines the company's long-term digital strategy. Tuder set about investing in the implementation of advanced digital solutions in 2023, property management software, advanced ERP systems and other digital tools that would help automate and optimise key business processes in order to reduce manual intervention, increase accuracy, and speed up processing times.

subsidiaries and international branches

tuder real estate company

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Tuder Highlights for 2023

Projects

- Surpassed cost reduction target for 2023 with SAR 84 Mn. savings
- Reduced project time duration by 40%
- Completed 79 projects (including Pre-Operation and SAMA Phase), exceeding target of 72 for reporting period
- Delivered 98% of projects on time
- Achieved remarkable 65% decrease of received incidents from branches

Facility management

- Achieved cost savings of over SAR 30 Mn. in reducing contracts costs
- Completed the installation of solar systems across 61 branches
- Completed the installation of solar canopies on the Al Rajhi headquarter tower parking lots – currently considered to be one of the biggest solar installations in Riyadh
- Installed energy saving tools and equipment in 400 branches.
- Completed power upgrade project in the IT – Hub (NRR) from 4MVA to 9.5MVA, accommodating possibility for future expansion
- Completed power upgrade project in the DRC from 0.5MVA to 1MVA, accommodating possibility for future expansion
- Upgraded cooling units in 60 branches
- Completed retouch and improvements project in more than 65 branches
- Completed the construction fit-out in 6 floors of the headquarters tower
- Operated and formalised Facility Management Frame Agreements with Al Rajhi subsidiaries (Emkan, Neoleap, Tanfeeth, Tawtheeq)

Safety and Security

- Realised cost savings of over SAR 38 Mn. by optimising safety and security measures

Real Estate

- Saved SAR 10.9 Mn. in scheduled payments for terminated contracts
- Achieved 9% ROI from all real estate properties under management
- Achieved 98% occupancy rate in real estate under management

Evaluation

- Evaluation Fees reduced by more than 40% while maintaining high standards
- 15 new valuation companies signed during 2023
- Formalised contracts with 4 new consulting offices with a reduced fee of 20% for technical evaluation
- Reducing real estate appraisal fees by 40%
- Visited 38 valuation companies during 2023
- Integration of a Customer Relationship Management (CRM) application to enhance customer relationships and improve the business
- Criteria-based model developed for the classification of evaluation companies
- Verification of reporting data received by evaluation companies to improve quality

subsidiaries and international branches

tuder real estate company

Enhancing operational energy efficiencies

Under its comprehensive Energy Efficiency Programme implemented across most Al Rajhi Bank properties, Tuder continued to enhance power and energy efficiencies during the year in review. The programme covered a number of initiatives comprising the installation of solar panels, air-conditioner upgrades for energy saving, the introduction of power-down equipment, window film installation, and the adoption of LED lighting. These strategic measures have resulted in an overall reduction in power usage and an estimated cost saving of approximately SAR 2.3 Mn. from the total annual energy bill, a significant reduction in the Bank's operating expenses.

At the close of 2023, Tuder had successfully installed Solar Power System across 61 Al Rajhi properties across the country. While the initial investment amounted to SAR 16 Mn., the solar installations are capable of reducing energy costs by approximately SAR 3 Mn. per year – a high and sustainable return on investment for the Bank. The Solar Power System will also generate clean and green energy, contributing to reducing the Bank's carbon footprint, while also optimising energy efficiency and reducing operational costs for Al Rajhi.

Driving the Al Rajhi Bank rebranding efforts

The year 2023 saw Tuder surpassing planned project targets and achieving a project completion of 109% for the year in review, successfully exceeding targets by 9% at the close of the reporting period. The completed projects comprised 11 subsidiary projects and 68 branch rebranding projects in total, which in turn included 4 projects in the final stage of SAMA-

approved licensing for operation, 14 projects in pre-operation phase, 3 remittance centres and 2 private branches. Tuder also oversaw the set-up and branding of 13 new branches that opened in 2023, as well as the 27 branches that underwent renovation to enhance their infrastructure and improve customer experience. Furthermore, 10 branches were relocated to more strategic locations in order to enhance their reach and accessibility to better service customers.

Tuder also embarked on a project to replace the primary signage at 207 Al Rajhi Bank locations according to the requirements presented by the Retail Banking Group. Tuder's diligent efforts resulted in signage replacements across 187 locations, accounting for an impressive 90% of the agreed-upon plan.

68

branches rebranded

11

subsidiary projects completed

4

Final stage of SAMA-approved licencing

14

properties in pre-operation phase

13

new branches set-up and opened

27

branches renovated

10

branches relocated

Primary signage replaced in

187

locations

subsidiaries and international branches

tuder real estate company

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

The application of value engineering

Tuder's value engineering process continued to eliminate unnecessary costs in 2023, while gradually insourcing highly sought-after services through applicable means. The execution unit rates for renovation projects were reduced by a significant 41% in 2023, resulting in the completion of renovation projects below projected budget. A value engineering study was conducted on vendors for multiple services including mechanical, electrical and plumbing (MEP) services; the study helped Tuder procure the most cost-effective vendors and materials, resulting in an additional 7% cost reduction with zero compromise on quality. Tuder also saved a further SAR 4 Mn. during the reporting period by repurposing existing assets such as furniture, video walls, and other equipment.

In 2023, Tuder successfully reduced the duration timelines of 'Shell and Core' Projects by 17%, Renovation Projects by a notable 31.3%, Fit-out Projects by over 40%, and ATM Cabinet Projects by a significant 76%, demonstrating excellent project management, planning and execution skills, which resulted in greater savings and efficiencies. Tuder also successfully decreased the number of received incidents from branches by a significant 50% YoY in 2023, evidencing improved capabilities and better management of projects.

Future outlook

In 2023, Tuder created a strategic direction document that outlines its planned trajectory for the next three years from 2024 to 2026. The strategic objectives outlined under this plan includes revenue maximisation with the introduction of new, diversified service offerings such as in-house safety and security management, as well as office furnishings to meet the increasing demand for world-class interiors. The new strategy will also focus on maximising Tuder's real estate portfolio, with a focus on expanding and optimising its property holdings. The subsidiary will also focus on optimising operational expenses and increasing profitability, improving operational efficiencies, and enhancing customer satisfaction through high quality solutions delivery. Tuder aims to foster a highly-engaging company culture where employees feel encouraged, motivated, appreciated and satisfied for their contribution to the overall success of their organisation.

subsidiaries and international branches

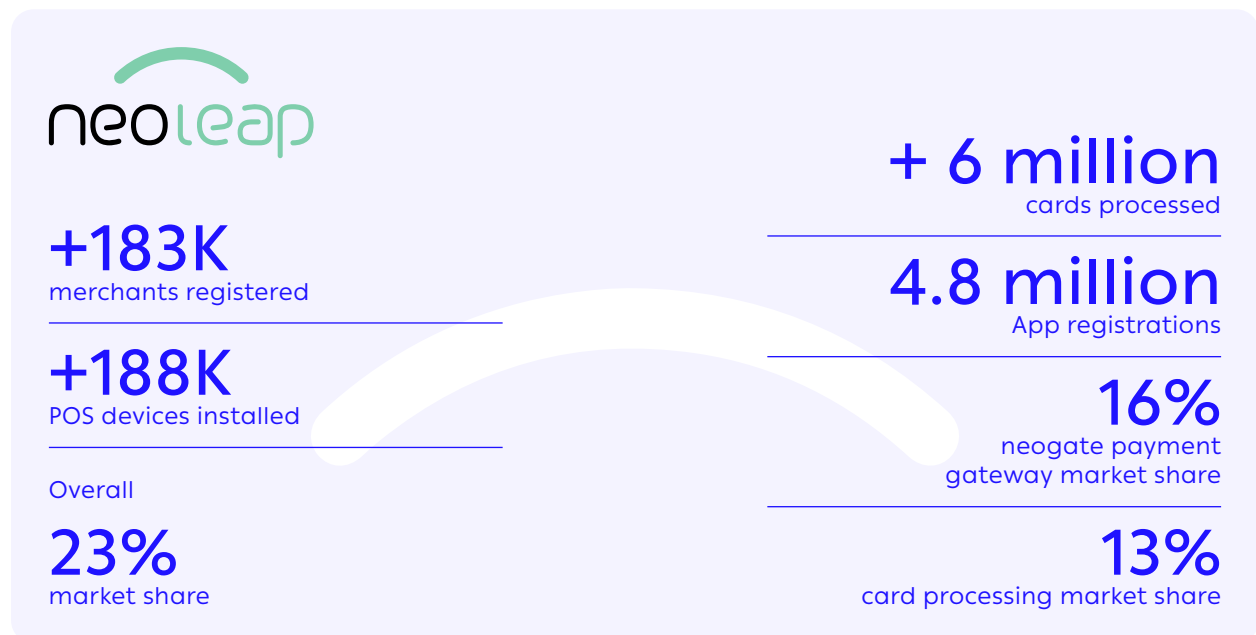


SAMA's strategic initiatives to support the fast growing fintech ecosystem across KSA during the reporting period resulted in the establishment of over 200 fintech companies, a more-than-doubling YoY growth of the sector in 2023. This highly competitive market set the backdrop for Al Rajhi's fintech subsidiary Neoleap to continue its strong performance from the previous year, and meet the exponentially growing expectations of financial institutions, merchants (B2B) and customers (B2C) with fintech solutions that solve existing and emerging market challenges.

2023 in numbers

Navigating an overcrowded and price-sensitive market required Neoleap to strategically approach time-to-market in new product

development, resulting in low product activation in 2023. Beyond the fintech competitors, the subsidiary was also competing against the local banks for cards and remittances. In order to maintain and grow market share during the reporting period, Neoleap continued to enhance the stability and agility of its technology and services, and evolve as an end-to-end fintech ecosystem that provides merchants and customers with an unparalleled user experience. Despite the challenges from the competitive market and a highly regulated operating environment, Neoleap recorded significant growth in numbers by the end of the reporting period:



subsidiaries and international branches

neoleap

- Overview
- Context
- Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Key business highlights of 2023

B2C Business (Customers)



The **2nd largest digital wallet** in KSA



Fastest growing wallet in KSA with more than 4.8 million users and high activation rate



Processed **more than 300 million transactions** that amounted to over SAR 60 Bn. in total transaction value



Entered strategic partnerships with Al Ahli, VISA, and became #1 strategic digital partner with Moneygram globally for the second year in a row



The **1st digital wallet** in KSA to offer a **Family Wallet** proposition by allowing unbanked children to open wallets and allowing parents to interact with them



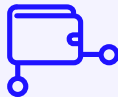
Full wallet revamp to provide an advanced user experience



Growing beyond the traditional wallet value proposition to offer unique services such as **food pickup, marketplace, loan request, and telecom recharge**, and evolving into a lifestyle app



Generated **SAR +396 Mn. in revenue** with **14% growth** year-on-year



Developed unique wallet value propositions by introducing Qattah Group's money split option, international remittance hub, pre-paid card management and partners offer

B2C Business (Merchants/Financial Institutions)



1st fintech in the Kingdom to have **full digital merchant onboarding experience** (Neoleapbusiness)



Launched POS Aggregation services in **August 2023**, and Ecommerce Aggregation by **Q1 2024**



Introduced **new business solutions** (e.g. ECR retail desktop and handheld, F&B E2Esolution)



Added **Financial Institution (FI) Processing** to service portfolio

subsidiaries and international branches

neoleap



Certified **first fully owned Urovo POS Android Terminal**



Completed **migration of ARB card portfolio to Neoleap Card Management System**



Started international expansion launching **Merchant Acquiring Processing in Jordan**



Developed strategic partnership with **Visa for Issuing Prepaid Cards**

SAR +35 Mn.

in POS transaction value

7 minutes

for merchant
digital onboarding

SAR + 13 Mn.

Wallet settlement in value

Exploring new business models and geographies

As part of the Al Rajhi Group, Neoleap also continued to leverage Group synergies and cross-sell products to merchants and customers, providing vertical as well as value-added solutions such as POS financing, insurance, Cards and Marketplace to name a few. Such curated solutions based on specific requirements allows Neoleap to develop specialised business propositions and thereby penetrate new markets and geographies that operate under different regulations, business setups, operating environments and market needs. One such successful expansion was the launch of Merchant Acquiring Processing in Jordan through the Al Rajhi Bank Jordan branch in 2023.

subsidiaries and international branches

neoleap

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Addressing the fintech talent challenge

One of the key challenges facing the fintech industry remained the attraction and retention of key technical and commercial talent in the field. Having cemented its position as one of the Kingdom's fastest growing, market leading fintechs, Neoleap strengthened its reputation as an employer of choice, offering top fintech talent in the Kingdom with an unparalleled employee value proposition comprising an innovation-led work environment, competitive compensation and benefits, complemented by internal and external learning and development opportunities, so that employees can map their growth alongside the growth of the Subsidiary.

Neoleap also emphasises a nurturing, engaging, and inclusive company culture that fosters collaboration, by hosting numerous employee events throughout the year; 2023 saw the subsidiary host a number of religious and cultural calendar events alongside several corporate functions including the monthly employee recognition and rewards events, employee wellbeing events, sporting tournaments, as well as the Subsidiary's second year anniversary celebration.

Future outlook

As the fintech landscape continues to evolve, the Kingdom also aims to increase the share of non-cash transactions among individuals to 70% by 2025.

In order to contribute to this ambitious target, Neoleap will focus on expanding its value proposition to the B2C segment, identifying new customer demographics, and introducing a strategic fee structure to address price-sensitivity in the over-saturated market. The B2B segment will see Neoleap shift focus on evolving from a payment partner to business partner, exploring new products and solutions that are requirement-based. Following the success of the Jordan expansion, Neoleap will also look into expanding into new markets and geographies in 2024. The subsidiary will also shift to cloud-based solutions and hybrid infrastructure in the near future, to ensure it remains at the forefront of innovation in the fintech sector, and equipped to meet the sector's rapid pace of evolution as a result of Open Banking.

subsidiaries and international branches



emkan finance



In 2023, the Saudi Arabian Interbank Offered Rate (SAIBOR) – the key gauge of borrowing costs for banks in the Kingdom – climbed above an average 6% in July, higher than the rate during the global financial crisis in 2008. While SAIBOR fluctuations impacted the cost of funds (COF) of Al Rajhi's microcredit arm Emkan Finance; the fintech subsidiary addressed the concern by introducing several higher yield products during the reporting period, while also implementing cost optimisation measures across its operations to further improve efficiencies.



A customer-centric offering

As a consumer finance fintech, Emkan focused on growing and diversifying its portfolio to meet rapidly evolving consumer demands during the year in review. This led to the subsidiary penetrating untapped market segments by launching a number of new and improved financing products addressing varying microfinancing needs, from direct personal financing products and auto-lease, to buyout and refinancing solutions. Having diversified into retail and merchant financing in 2022, Emkan counted a total of 106 booths set up at select Merchant Branches across the Kingdom by the end of the reporting period, to better service and assist merchant partners.



Given the risk-heavy nature of microfinancing, Emkan continued to prudently manage potential risks through strong internal controls, as well as by enhancing the process of identifying the borrowers' credit worthiness. Such measures ensured that by the conclusion of the reporting period, Emkan achieved remarkable year-on-year portfolio growth of 39% exclusively for personal financing products, establishing a substantial 68% market share in the Kingdom.

subsidiaries and international branches

emkan finance

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Upgrading fintech infrastructure

Emkan invested in making a number of technology and system upgrades during 2023, leveraging automation, application virtualisation, data analytics and transformation, database upgrades and optimisation to support business growth and stay ahead in a competitive market. Upgrades were also carried out on security and anti-money laundering solutions beyond compliance requirements to ensure an enhanced customer experience with more functionally rich and secure digital solutions.

At the onset of the reporting period, Emkan launched its new, upgraded One Stop Shop mobile app, with the goal of cross-selling all Emkan products under one virtual roof, offering an unmatched, data-driven consumer fintech value proposition to customers. The app achieved a 4.3/5 rating by the end of the year in review, well above the competition average of 3.8. This improvement evidenced the success of incorporating customer feedback when enhancing the app, which saw the addition of features such as the breakdown of offering stages, one-click apply function as well as a financing calculator for customer convenience. The success of the app complemented by Emkan's enhanced product and service offering resulted in nearly doubling Emkan's overall net promoter score (NPS) from 38 to 71 by the end of the reporting period.

The subsidiary's commitment to creating an unparalleled digital experience for customers through a meticulously executed, planned approach won Emkan the Best Digital First Strategy Award at the Digital Experience Show Middle East in 2023.

Strengthening the talent pool

Emkan leveraged Group synergies to train fresh graduates through the Al Rajhi Graduate Development Programme, developing capabilities

through in-class training, job rotation and professional certifications, thereby building a strong talent pool of qualified individuals and providing them progressive job roles with clear career progression. The subsidiary's employee value proposition was further enriched during the year, complemented by annual assessments and career plan development among other initiatives.

Future outlook

Given the projected growth of the Kingdom's microfinancing sector despite SAIBOR fluctuations and a competitive market landscape, Emkan will continue to diversify its product offerings to expand beyond traditional microloans. Further investments will be carried out to allocate and optimise resources that will enable the subsidiary to grow and scale alongside market demand. Emkan will continue to integrate advanced technology infrastructure to improve digital customer journeys, implementing robust data analytics capabilities to enhance customer experience as well as operational efficiencies.

Emkan will further strengthen partnerships by collaborating with retailers to expand reach and access to retail financing markets. Building strategic partnerships with local and multinational retailers will provide the subsidiary an opportunity to expand market reach.

As the microfinancing sector evolves, Emkan will continue to remain up-to-date on regulatory frameworks, anticipating changes and adapting its operations accordingly to ensure compliance while maintaining a competitive edge.



ejada systems

The year 2023 saw Ejada place emphasis on expanding to new lines of business by increasing focus on data and analytics, as well as new offerings and segments.



One of the key initiatives central to Al Rajhi Bank's digital transformation, and to achieving its overarching Bank of the Future (BOTF) strategic objectives was the acquisition of Ejada Systems Company Ltd in 2022. Ejada Systems, an industry-leading IT services and solutions provider with a prominent tech footprint in the Kingdom and the wider Middle East and North Africa (MENA) region, reformulated its strategy post-acquisition, setting new targets and priorities for the year in review that largely fell under the following three pillars:

- Maintain Market Position and Client Trust
- Build for the future
- Expand Engagement with the Al Rajhi Group.

In order to proactively respond to the growing market demand in data and analytics given the stringent and rapidly evolving regulatory requirements, the year 2023 saw Ejada place emphasis on expanding to new lines of business by increasing focus on data and analytics, as well as new offerings and segments.

The subsidiary successfully managed to balance its expanding business with the technology requirements of its Parent Company Al Rajhi Bank and its subsidiaries, accelerating expansion driven by contracts from large government accounts and mega projects being initiated across the Kingdom. Such efforts saw Ejada successfully surpassing the forecast revenue targets for 2023 by 8%, with a leading operating income margin.

New lines of business

Ejada successfully launched several new Lines of Business (LOB) in 2023 to meet the evolving needs of clients, boosting market presence, while at the same time diversifying to achieve new business targets. These services include cutting-edge software solutions, innovative consulting offerings, and advanced data analytics services such as Open Banking, Cloud Migration and Modernisation as well as Service Desk services among other LOBs, entering over 60 new contracts during the year in review, actively growing a portfolio of industry-leading clients across multiple sectors.

subsidiaries and international branches

ejada systems

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Ejada also continued to expand its client portfolio within the public sector during the year, contributing to a number of Vision Realisation Programmes (VRPs) and other national scale projects falling under the Kingdom's ambitious Vision 2030 goals. Ejada worked on a number of projects with the Ministries of Finance, Health, Culture, Human Resources and Social Development, the National Centre for Government Resources Systems, General Authority of Civil Aviation, Ministry of Human Resources and Social Development, Zakat, Tax and Customs Authority, Saudi Aramco, mega project NEOM, and other public sector and state-owned organisations, surpassing the forecast number of large contracts valued at over SAR 10 Mn. by 24% at the end of the reporting financial year.

Ejada's core competencies and new lines of business also continued to enable Al Rajhi Bank to successfully execute the final phase of its Bank of the Future (BOTF) strategy cycle during 2023, while also supporting a few subsidiaries implement key projects that were vital to achieving the overall strategic targets of Al Rajhi Group during the year under review. Major initiatives for Al Rajhi Bank included its Cloud Programme, Testing Centre of Excellence (TCoE), Telecom Operator Integration, Data Classification Project among many others, with the Data Management Platform project for NeoLeap, the Application Delivery Digital Factory for Al Rajhi Capital, Service Desk solution for Tanfeeth, Data Warehouse services for Emkan, and Counter Fraud Compliance Analytics and Reporting across the Al Rajhi Group being completed in 2023.

During the year in review, Ejada further expanded its geographic footprint, establishing a new branch in India, following the successful regional branch opening in Jordan during the previous year.

Transitioning into a mature business model

The year in review saw Ejada focus on enhancing its regulatory compliance and professional accreditations to strengthen internal systems and set an industry benchmark for operating standards, particularly across its Application Development Centre and Application Testing Centre of Excellence.

Accreditations/Regulatory Compliance obtained in 2023

ISO 27001

- ✓ Information Security Management Systems

ISO 20000

- ✓ Information Technology Service Management

ISO 22301

- ✓ Business Continuity Management Systems

CCC

- ✓ Cybersecurity Compliance Certificate

ISTQB

- ✓ The International Software Testing Qualifications Board – Platinum Partnership

ISO 9001

- ✓ Quality Management System (QMS)

OCI

- ✓ Oracle Cloud Infrastructure

Guided and reinforced by such benchmark standards, the Application Development Centre (ADC) established by Ejada continued to exceed

subsidiaries and international branches

ejada systems

customer requirements with the highly talented on-site and off-shore development teams achieving a number of performance and delivery KPIs in 2023:

300+

Digital Factories in corporate and retail delivered

167

experts spread across multiple technologies

185+

products and services launched and

30+

user experience enhancements carried out in delivered corporate projects

380+

products and services launched and 22+ user experience enhancements carried out in delivered retail projects

120+

integration services implemented

This performance was supported by Ejada's Application Testing Centre of Excellence (TCoE), expanding our team to over 170 testing professionals spread across 4 regions, including experts in market-leading commercial and open-source automation and performance testing tools. Over 50% of Ejada engineers are ISTQB/ISEB certified. Ejada's TCoE executed automation, performance and regression testing, executing over 27,000 test cases, and 60+ SLA-based Managed Services applications.

Cementing pioneering role in the tech value chain

Technology partnerships was one of the main focus areas for growth at Ejada during 2023; The year in review saw Ejada continue to strengthen its existing tech partnerships while entering into new alliances; the subsidiary continued to be one of four Enterprise Platinum Partners to Informatica - the California-based Enterprise Cloud Data Management company, the highest-level Premier Partner for Enterprise Data Management and Analytics Platform Cloudera, Gold Business Partner for global technology innovator IBM, and Premier Partner for world-leading artificial intelligence and machine learning company Dataiku.

Premier Partnerships were formed with banking SaaS solutions provider Temenos, and global networking, security and cloud solutions provider Cisco. Ejada also formalised new partnerships with digital experience platform provider Sitecore, fintech talent provision company Finclude, AWS-based data modernization and development company NorthBay, and IT solutions provider Arcana Info.

Ejada's commitment towards strengthening the tech value chain through these partnerships have been duly recognised and rewarded by its partner companies:

Awards and Recognition Received in 2023

- ✓ Cloudera Saudi Arabia Best Use Case Partner Implementation of the Year
- ✓ Award Winner Alteryx Partner of the Year
- ✓ Award Winner Denodo Partner Excellence Award Year 22/23
- ✓ Global Channel Partner 2023
- ✓ EMEA - Emerging Market Channel Partner of the year
- ✓ Data driven management solutions awards

subsidiaries and international branches

ejada systems

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Building a capable and qualified talent pool

Given the competitive nature of the current tech job market, Ejada continued to strengthen its reputation as an employer of choice during the reporting period, anchored to the brand association of Al Rajhi Bank as its Parent Company. The success story of its acquisition and growth potential of the subsidiary further powered by a growing portfolio of industry-leading clientele continued to attract top-tier talent to Ejada, with the subsidiary's Human Resource Department marking their presence across major tech job fairs, industry events and campus visits throughout the year.

Ejada is also currently building the HR infrastructure for a state-of-the-art learning management system that will host its own learning content as well as content from external providers such as Coursera, Udacity, Udemy, and Plural Sights, providing employees the opportunity to develop capabilities and participate in technical courses, while they will be incentivised by policy to do so. Additionally, an employee value proposition is being formulated to increase employee engagement with initiatives such as corporate sporting events, seasonal celebrations, outings as well as rewards and recognition that will enhance employee morale and enrich their experience.

Future outlook

The immediate future will see Ejada align with its new growth strategy built upon the following four pillars:

- **Solidify the core:** By increasing penetration of existing customers, diversifying client base, and expanding offerings
- **Transform to digital orchestrator:** By building digital advisory capabilities, expanding and monetising E2E cloud offering and cybersecurity in addition to innovating through emerging tech and industry cloud
- **Accelerate growth:** By diversifying into mega projects and new target industries, building capabilities/scale through M&A, and entering new mid-market segment and new geographies through selective offerings

- **Reinvent software business model:** By developing vertical-specific software, SME focused SaaS products and software accelerators in addition to exploring alternative business models to nurture innovative ideas

The subsidiary will focus on reshaping its Lines of Business to grow in a highly competitive IT services market, expanding its product and service portfolio, and extending geographic coverage within Kingdom of Saudi Arabia and GCC countries to maintain focus on our priority clients, large corporate and development clients, and Mega-Projects in addition to extending our focus to Mid-Market and SMEs is key to our ambition and success, to explore multi-faceted market opportunities.



subsidiaries and international branches



tanfeeth

Operations and Contact Centre functions across the Al Rajhi Group were centralised in 2022 and absorbed under the newly established entity Tanfeeth, incorporating Managed Operations, Staffing Solutions, Automation Services and Contact Centre Operations under its services portfolio. During the year in review, Tanfeeth continued to greatly improve operational efficiencies across the Bank, and also across a number of its subsidiaries. Tanfeeth progressed well across key focus areas in 2023, going on to exceed budgeted Net Income target by 61% by year end. Net Financial Loss for the reporting year was contained at SAR 27,000 with Tanfeeth aiming for profit-making operations as its overarching KPI for the next financial year.

Having successfully migrated all core operations processes of Al Rajhi Bank, the operations processes of subsidiaries Emkan and Neoleap were also migrated successfully to Tanfeeth in 2023, recording a net volume growth of 63% this year. Furthermore, 50% of Al Rajhi Capital's processes were also migrated, with the remaining processes on track to be completed this year. The Al Rajhi Takaful Contact Center and Policy Administration operations were migrated, with reconciliation and other operations units on track for completion in 2023.

With 420 processes budgeted to be automated during the reporting period, 480 processes were successfully automated in 2023, exceeding the budgeted number by 14%, and recording a 32% YoY increase in process automation. Tanfeeth delivered AIRA, an in-house business process management (BPM) and workflow solution, which has successfully reduced human processing times from 25 minutes to 1 minute.

Tanfeeth performance highlights for 2023

تفيث
tanfeeth

Net volume growth of

63%

Net Income growth of

61%

YoY increase in process automation

32%

During the reporting period, the Al Rajhi Bank Contact Center SLAs achieved 95% delivery, significantly improving from the 59% delivery recorded in 2022. Abandoned calls showed a significant improvement from 2023. The success of the Bank's Contact Centre operations enabled Tanfeeth to onboarded the Contact Center for the fintech subsidiary Neoleap during the year in review, recording a consistent delivery >90% SLAs with only <5% abandoned Interactions, a substantial improvement from the performance delivered by the previous outsourced vendor. Credit operations of the microfinancing subsidiary Emkan were also taken over by Tanfeeth, greatly reducing turnaround times to less than 15 minutes. In September 2023, the Contact Center incentive model was implemented by Tanfeeth, which looks to deliver a significant and sustained cost reduction the Bank and its subsidiaries leveraging Tanfeeth services.

With Staffing Solutions for Al Rajhi Bank now falling under its services portfolio, Tanfeeth was able to reduce headcount costs through internal staff migration and consolidation during the

subsidiaries and international branches

tanfeeth

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

reporting period. Operations headcount was maintained at the same level as the onset of 2023 throughout the year despite the net full-time employee (FTE) migration (new operations) of 620 employees. Overall Saudization rate at Tanfeeth was sustained at 96%, with the female employee ratio reaching 77%, driven by the largely female operated Qassim Contact Centre. With the Kingdom's Human Resource Development Fund (HRDF) providing 30% of the remuneration to private sector employees in their first year of employment to encourage Saudization and raise equality in the labour market, this focused recruitment strategy enabled Tanfeeth to enjoy an SAR 37.3 Mn. subsidy in 2023, more than double the SAR 15.7 Mn. subsidy received in 2022.

Tanfeeth continued to collaborate with the IT Department of Al Rajhi Bank during 2023 and delivered the Newgen Instant Approval credit decisioning engine, greatly decreasing the volume of manual credit processing carried out by the Bank. The IT Department also supported Tanfeeth in further automating SAMA requests with six new enhancements to its intelligent Business Process Management (iBPM). 100% QIWA compliance was achieved through automated processing, while automated solutions were also adopted and extended across the Al Rajhi Group.

The year in review saw the promising development of a three-year strategy – 'RISE' – to grow Tanfeeth across a number of focused industry sectors.

RISE Strategy

- R** Reimagine partnership with the Al Rajhi Group by becoming a transformation partner and ensuring operational excellence and supporting process optimization.
- I** Increase Financial Services presence by expanding and deepening presence within the Financial Services sector.
- S** Seek opportunities in new sectors by exploring growth opportunities in new industries and leveraging strengths in common services.
- E** Evolve into solutions orchestrator by transforming into an end-to-end solutions orchestrator and combining efforts with other entities within the Group.

Future outlook

Tanfeeth will continue to improve operational efficiencies across the Bank and its subsidiaries, as it transitions into a profit-making business contributing to the top and bottom-line of the Al Rajhi Group. In line with its very own three-year strategy – RISE – Tanfeeth will focus on developing internal talent, progress on institutionalisation, develop a solutions delivery model, and also establish go-to-market capabilities.



al rajhi bank – Malaysia

ARBM recorded its largest net profit since inception in 2023, surpassing the MYR 90 Mn. mark for the first time, which is more than three fold of that of the previous year.



In a year that saw Malaysia's economy expanding moderately amid subdued external demand, alrajhi bank Malaysia (ARBM) continued to perform strongly while anchored to a financial services sector that remained resilient during the reporting period.

During the year in review, ARBM moved up from being the smallest to the third largest asset-holding foreign-owned Islamic bank in Malaysia. The Malaysian branch experienced consistent double-digit growth YoY across assets, financing, and deposits, with the Corporate and Treasury business driving growth for ARBM throughout the reporting period. Despite challenging market conditions, ARBM continued to improve its asset quality, maintaining non-performing financing (NPF) well below market average in Malaysia, and holding one of the lowest NPF ratios in the industry at less than 1%.

ARBM recorded its largest net profit since inception in 2023, surpassing the MYR 90 Mn. mark for the first time, which is more than three fold of that of the previous year. Rize, the first-of-its-kind digital bank in Malaysia, which was officially launched to the public in February 2023, was named Virtual Bank of the Year - Malaysia at the Asian Banking and Finance Retail Banking Awards 2023, and Best FinTech in Retail Banking at the Malaysia Technology Excellence Awards 2023.

The year in review recorded a 22% increase in financing, closing the year at MYR 10.7 Bn., while ARBM's Sukuk holdings reached MYR 5.1 Bn., recording a remarkable 51% YoY increase. Customer deposits rose by 19% from the previous year. ARBM's overall performance resulted in an increased revenue of MYR 388 Mn., surpassing MYR 300 Mn. for the first time, which resulted in an exceptional 231% YoY growth in net profit, closing the year with MYR 95 Mn. in profit before tax.

subsidiaries and international branches

al rajhi bank – Malaysia

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Deposits

ATM services

Withdrawals

e-statements

Account management

Personal finance management

Exploring the benefits of Group synergies

The overseas branch also utilised the combined strengths of the Parent Company – Al Rajhi Bank KSA – to identify potential opportunities for syndication financing, collaborating to collectively participate in these as a Group. This allows ARBM to have increased bargaining power when negotiating for larger participation sizes and more favourable fees. Furthermore, by utilising Al Rajhi Bank KSA's current banking connections with specific financial institutions, ARBM has been able to improve its position when negotiating with nostro banks for the maintenance of its nostro accounts, and to secure more favourable terms.

Furthermore, the Treasury at Al Rajhi Bank KSA supplied the necessary liquidity in both USD and SAR to fulfil immediate funding requirements and enhance ARBM's balance sheet during the year. ARBM also generated numerous leads from Malaysia and other Asian countries for Sukuk issuances and syndicated finance arrangements for the Parent Company. In addition, the Operations Payments and Corporate Disbursement teams from Malaysia collaborated with the Tanfeeth Robotic Process Automation (RPA) team throughout the year to identify suitable processes for automation.

al rajhi bank – Malaysia

A growing digital brand presence

Focused efforts in digital marketing directly drove growth across ARBM's social media channels during the year in review; ARBM's LinkedIn account experienced remarkable growth during the year, with a 1,000% increase in reach and impressions, while its Facebook page saw an increase of 67.36% in profile visits. Rize social media accounts saw a robust growth in follower numbers and page visits since its launch from the onset of the reporting period, with its Instagram reach increasing 411.25%, and profile visits growing by 1,500%, evidencing the success of ARBM's digital marketing and customer engagement strategies.

ARBM also launched several campaigns to support the business growth of key products, which resulted in a number of notable achievements:

Foreign Currency (FCY) Account

Results: A 177% increase in the number of FCY accounts opened post-campaign, with a 37% increase in balances.

Personal Financing-i Campaign

Generated 4.8 million impressions, +222% ahead of target, driving MYR 55 Mn. in sales.

Wealth Campaign (Unit Trust and Gold-i)

Generated close to 1 million impressions, contributing to 65% of the total wealth sales to-date.

Promoting sustainable banking practices

2023 saw the formation of the ARBM Sustainability Committee to better deliberate on ARBM's long-term strategic endeavours for sustainability. The Committee held monthly meetings from June 2023 and continues to progress ARBM's sustainability mandate across multiple avenues. Key to this mandate is ARBM's contribution as a member of the Value-Based Intermediation (VBI) Community of Practitioners (CoP) of Malaysia and its deep commitment to generating a positive sustainable impact for Malaysia's recovering economy, community and environment, and its overarching objective to deliver the intended outcomes of Shariah through practice.

In line with the VBI Principle of Community Empowerment, ARBM provided MYR 1.34 Bn. across 39 corporate accounts to finance schools, roads/highways, hospitals, government offices,

drainage/sewerage, water-supply, transport, civil and infrastructure and various other public amenities, including lending to green/renewable energy activities. MYR 2.4 Bn. in financing was disbursed among 213 Small and Medium-sized Enterprises (SME) accounts in line with VBI Entrepreneurial Activities.

In tandem with the VBI Principle of Good Self-Governance, ARBM demonstrated its readiness to encourage financial flows towards companies and projects that meet climate objectives and provide greater transparency in reporting climate-related exposures. The overseas branch drafted the 'Environmental, Social and Governance (ESG) Assessment Checklist' to better categorise the customer's nature of business and economic activity based on BNM's Guiding Principles as per the Climate Change

subsidiaries and international branches

al rajhi bank – Malaysia

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

and Principle-based Taxonomy (CCPT). ARBM implemented The ESG Risk Management Policy (Corporate Credit Policy & Sustainability Policy), as well as the ESG classification requirement for ARBM's entire corporate book. The overseas branch also incorporated sectoral guidelines into its existing evaluation, assessment, and financing processes. More details on ARBM's ESG commitments can be found in the ESG Report (pages 146 to 165) of this publication.

During the reporting period, ARBM provided financing under the **"My First Home Scheme"** from BNM's Fund for Affordable Homes to lower-income communities in line with its commitment to promoting financial inclusivity for the B40 (low-income) market segment. Today, 50% of ARBM's Retail Home Financing portfolio comprise First Time home buyers. Personal Financing via Rize and Cashline (overdraft facility) was also extended to the low-income segment during the year in review.

Future outlook

ARBM's focus for 2024 will be to expand Rize by enriching its offerings and ensuring a seamless customer experience, both of which will remain crucial aspects of retail success for the overseas branch, with digitalization playing a significant role. ARBM will also continue to focus on generating revenue through its corporate banking and treasury verticals, as well as specific subsegments within retail banking, particularly in the areas of personal financing and wealth management.

The Malaysian economy is projected to experience a robust growth of 4% to 5% in 2024, driven by expansion across all sectors and improved prospects in global commerce. The outlook for Islamic banking in 2024 remains optimistic, thanks to a well-developed ecosystem that fosters both social and financial inclusion. ARBM will continue to actively seek more affordable sources of funding, while simultaneously bolstering its deposit base, and be equipped in terms of both technology and human resources to meet the demands of Malaysia's growing economy in the immediate future.





al rajhi bank – Jordan

The overseas branch leveraged Group synergies during the reporting period to introduce new product and service offerings to the Jordan Market.



The year 2023 saw Jordan prudently navigating challenging times, with its economic growth increasing up to 2.6% on the back of a surge in foreign direct investments to the Hashemite Kingdom. The country's banking sector continued to reflect resilience despite the challenges, a cautiously promising backdrop for Al Rajhi Bank – Jordan (ARBJ) to record a profitable performance that saw a YoY increase of 8% in shareholder equity.

The reporting period brought about its own set of challenges, with the adoption of contractionary monetary policies impacting the global banking industry, including Jordan. While such policies were introduced to reduce the rate of monetary expansion in order to fight inflation, it also elevated cost of funding to unprecedented levels, leading to fierce competition between local banks across Jordan to preserve their deposit base. ARBJ saw a 101% YoY increase in its Cost of Funds in 2023 as a result.

While customer appetite for borrowing also reduced due to this development, ARBJ recorded a 12% increase in financing value during the year. This was achieved by adopting tactical campaigns targeting existing high-quality loans offered by other financial institutions, offering fixed rates spread across longer loan durations. This strategy compensated for diminishing spreads and resulted in higher volumes.

Synergistic product and service offerings

The overseas branch leveraged Group synergies during the reporting period to introduce new product and service offerings to the Jordan Market; ARBJ collaborated with Neoleap – the Group's fintech subsidiary – to launch Al Rajhi's digital wallet urpay to the Jordanian Market in the third quarter of 2023. The adapted version named urpayJO offers services such as instant payments and transfers, bill payments, virtual

subsidiaries and international branches

al rajhi bank – Jordan

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

8%

YoY increase in shareholder equity

10%

YoY increase in total assets

34%

YoY increase in yield income

47%

YoY increase in fee income

card issuance among other features. It was well received by the evolving consumer market, racking up over 6,000 user registrations by the end of the year. ARBJ kicked off its Merchant Acquiring Service on schedule in 2023 with yet another Neoleap product – neoPOS – providing seamless in-store and online payment acceptance solutions to local merchants. The number of merchants is expected to reach 400, and POS terminals may exceed 500 by the end of 2023.

While ARBJ continued to leverage the growing network of Financial Institutions (FI) of Al Rajhi Bank KSA to facilitate international transactions for ARBJ customers, the overseas branch also introduced BUNA (Arab Regional Payment System), a centralised cross-border and multi-currency payment system supported by Central Banks and FIs across the Arab region and beyond. Now, with the BUNA platform, ARBJ customers are able to send and receive payments in Jordanian Dinars as well as key international currencies in a safe, cost-effective, risk-controlled and transparent environment.

Furthermore, the branch launched a commercial real estate leasing product towards the end of 2023, to assist corporate clients to capitalise on long-term investment opportunities in a fluctuating real estate market.

Targeting identified customer demographics

In order to increase engagement with customers, and to reach and penetrate untapped markets, the Jordan branch launched a buyout campaign across its official social media channels, which were verified and activated during the previous reporting season. The buyout campaign was highly successful, reaching 1.2 million social media users and recording 8 million impressions. These numbers resulted in over 28,000 leads, of which 2,498 were successfully converted to customers with a lead conversion rate of 8.9%.

The targeted digital marketing approach proved to be highly cost-effective, costing 77% less than previous campaigns for the overseas branch. ARBJ's presence and engagement on digital channels also led to a 40% increase in social media followers on Facebook, and 112% increase on LinkedIn, which also highlights the

subsidiaries and international branches

al rajhi bank – Jordan

growing reputation of the overseas branch as an employer of choice. Customers were also encouraged to leverage ARBJ's remote banking services, with 55% of its total customer base registered for internet and/or mobile banking.

During the period in review, ARBJ also continued to focus on attracting high-profile/affluent customers with strategically targeted campaigns. Having significantly expanded its small and medium enterprises (SME) portfolio during the previous year, ARBJ's SME team also continued with targeted campaigns to reach new clients.

8 million

impressions

1.2 million

reach

8.9%

lead conversion rate

77%

decrease in paid campaign costs

Nurturing a capable and responsible team

In terms of building its human capital, ARBJ successfully completed the Level-Up Campaign, which was initiated in 2022 to enhance and fast-track employee development and capacity building through tailored internal and external training programmes. The branch complemented these efforts by building a strong talent pool by training 27 fresh graduates through its Graduate Development Programme (GDP) in 2023, with 24 of the programme participants employed by year end.

The overseas branch also focused on nurturing a volunteer culture during the reporting period, promoting a sense of altruism and duty among its employees by initiating a number of causes and projects, ranging from environmental conservation to sponsorships and donations. More details on these initiatives are listed in the ESG Report on pages 146 to 165.

A future-ready brand identity

The overseas branch continued to make significant progress in its rebranding efforts in 2023; three physical locations were completely rebranded during the year, with the fourth office relocating to a new property following the installation of new branding. A total of 20 ATMs across the Kingdom – both existing and new – were also rebranded. The rebranding of ARBJ's mobile banking app was also completed in 2023. The reporting period concluded with the overseas branch's head office successfully relocating to its new headquarters in Amman.

Future outlook

With the successful completion of Al Rajhi Bank's BOTF strategy in 2023, the Jordan branch recently implemented a new three-year growth strategy across all business segments; key objectives are to capitalise on the functionality of the new core banking system by introducing innovative products, while accommodating business growth by expanding ARBJ's current physical banking network from 10 to 16 branches.

ARBJ has scheduled the launch of a number of new offerings in 2024 including POS lending facilities, gold trading, Ijara corporate leasing as well as the merchant version of the urpay wallet. A number of mobile app upgrades and developments will also be taken up in 2024.

subsidiaries and international branches

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

al rajhi bank – Kuwait



The reporting period saw Al Rajhi Bank Kuwait collaborate with the Head Office in KSA, and successfully participating in major syndication deals with the government and a number of financial institutions.



With an economic slowdown driven by sluggish global economic activity and cautious oil production following tighter OPEC+ quotas, monetary policy tightening and government subsidies in Kuwait eased inflationary pressures during a challenging 2023. It is against this backdrop that Al Rajhi Bank – Kuwait (ARBK), the sole foreign Islamic Bank operating in the Gulf State, saw a 10% YoY growth in total assets, with both fee income and yield income increasing YoY by an impressive 209% and 37% respectively. The overseas branch also saw an improvement of 14 basis points in its non-performing loan (NPL) ratio from last year.

While Fitch Ratings affirmed a credit rating of AA- for Kuwait with a stable outlook, the overall financial performance of the Kuwait branch in 2023 was strongly impacted by sequential discount rate hikes by the Kuwait Central Bank (CBK), going from 1.5% in March 2022 to 4.25% in July 2023. The banking sector's credit growth has been moderate, hindered by the higher interest

rates and modest real GDP growth of 0.1%. Borrowings surged at the end of 2022 to meet regulatory ratios as CBK tightened monetary policies and withdrew its stimulus package at the onset of the fiscal year.

Remaining customer-centric amidst challenges

The overseas branch faced a number of challenges across its various business verticals during the year in review; prudent budgeting across the Kuwait branch resulted in limited marketing and technology enhancements across the Retail business, which also experienced aggressive competition from other local banks. The growing Corporate Business portfolio was impacted by the significant increase in funding rates that deterred the market from lending, and the resulting increase in the cost of funds also contributed to reducing profit margins.



subsidiaries and international branches

al rajhi bank – Kuwait

ARBK addressed these challenges by executing a number of strategic marketing promotions across existing channels throughout the year. The Bank's card-less payment offering via smart wristwatches was promoted in collaboration with luxury brands Swatch, Garmin and Fitbit. Promotions were carried out for home financing as well as 12-month financing deferments. ARBK also participated in a number of strategic sales events including large-scale exhibitions such as the Kuwait Car Exhibition and the Gulf State's largest housing fair – Baiti Exhibition, targeting specific customer segments based on geographic distribution as well as financial needs and lifestyles. The sales teams carried out site visits to private companies as well as to government institutions, facilitating direct engagement with potential customers to understand and address evolving customer needs. The branch also made a concerted effort to elevate its financing and investment portfolio to offset the impact of rising cost of funds.

Customer engagement was driven by monthly customer satisfaction surveys conducted by the overseas branch, where customer suggestions and inputs are thoroughly evaluated, with necessary changes or improvements carried out on products and services to better address customer demands. The overseas branch also launched its official Instagram account in December 2023, expanding its digital reach and penetrating a younger, more digitally savvy target market.

Future-ready products and services

The reporting period saw ARBK collaborate with the Al Rajhi Bank Head Office in KSA; successfully participating in major syndication deals with the government and a number of financial institutions (FI) for a total of USD 150 Mn., while also investing in Sukuk and trade finance products in the range of USD 140 Mn. Other syndication and trade finance products included Letters of Credit (LC) confirmations, back-to-

back Letters of Guarantee (LG), which were complemented by cross-border dealings with the Kingdom of Saudi Arabia (KSA) backed by Al Rajhi Bank's growing FI network.

New fraud rules were applied for card transactions in 2023, with a number of feature and service enhancements for card holders; instant issuance of new cards was facilitated, tokenised debit and credit card transactions were enabled through smart watches. Additionally, new PIN requests for debit and credit cards could be submitted through any of the four in-house ATMs and more than 250 collaborating Al Rajhi ATMs located across Kuwait.

The Mobile App user interface was updated with a number of usability enhancements in 2023, including biometric authentication enabled credit card transfers, thereby enhancing the quality of service, improving digital accessibility, and enriching the user experience.

Imbuing a compliance culture

A number of regulatory updates as per the requirement of CBK were carried out during the reporting period to strengthen compliance, with zero compromise to customer experience and agility. These included compatibility upgrades with Kuwait's national electronic payment gateway K-Net, with the national Credit Information Network Ci-Net, the Kuwait Electronic Cheque Clearing System (KECCS), and an upgrade to the GCC Real Time Gross Settlement (RTGS) system - the region's automated quick payment transfer system for cross-border payments. The reporting period also saw the Kuwait branch introduce real-time transaction screening with FIRCO, a powerful screening solution that has enabled ARBK to meet more intense regulatory screening requirements. Branch teller computers were also upgraded with dual authentication for optimal data security.

subsidiaries and international branches

al rajhi bank – Kuwait

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

For the benefit of customers, the Bank followed CBK regulatory requirements by creating awareness among clients on One-Time Passcodes (OTP), and by adding merchant/sub-merchant names in SMS transaction alerts for customers. Cardholder names and reason for transaction have also been added as per the CBK mandate.

Upgrading and optimising resources

A number of technology infrastructure upgrades within budgetary restrictions were carried out by the Kuwait branch in 2023, including the migration of its electronic payment system to ACI Worldwide's BASE24-eps product, which enabled the branch to leverage the latest in payment engine technology and offer robust features and functions to customers.

The overseas branch also strengthened its internal legal function during the year by recruiting a dedicated legal professional, to coordinate between Al Rajhi Bank's Head Office in KSA, to better manage ARBK's relationship with external law firms, and to provide the necessary legal support for internal departments and functions.

ARBK maintained an overall Kuwaitisation ratio of 71.2% for the year in review, and remained committed to achieving the nationally mandated ratio of over 70% for upper and middle management in the banking sector by reaching a ratio of 70%+ by the end of the reporting period.

Future outlook

According to a recently published World Bank Report, Kuwait's oil GDP is expected to recover in 2024, while the non-oil sector is also projected to grow, thereby diversifying revenues and strengthening Kuwait's fiscal sustainability. Kuwait's Minister of Commerce and Industry expressed the Gulf State's keenness for China to have an active role in developing its contributions to housing cities, infrastructure, and energy projects, which will have a positive impact on Kuwait's economy. A mortgage law listed among the priorities of the Government's legislative agenda, promises to increase financing demand for residential housing in the near term.

The Kuwait Branch therefore will plan to strategically implement systems and technology upgrades. Planned upgrades include the introduction of a new core banking system, a corporate banking system with an online

e-Corporate Portal, and MUREX technology solutions supported by necessary network infrastructure upgrades. Enhancements to inward payments and payroll processing are also scheduled alongside the introduction of EOS payments and TAP payments among other facilities. Both Retail and Corporate business divisions too, have scheduled the launch of a number of new and improved products and services, with new card products such as multi-currency prepaid cards and ladies only debit cards awaiting launch within the next few months.

Furthermore, ARBK will look at upgrading the technology of its mobile app in the immediate future in order to introduce a number of new and improved features including online account opening, online KYC, online customer survey, easy pay services, invoice settlements, e-Market, and virtual prepaid and credit cards.

human resources

The Bank's HR Strategy continued to align itself with ambitious Vision 2030 targets, empowering and equipping its people to complement the overall efforts of the Kingdom.



GRI 2-7

Aligned with its overarching Bank of the Future (BOTF) Strategy, Al Rajhi Bank's Human Resource (HR) agenda continued to be anchored to its well nurtured reputation of being one of the most preferred and sought-after employers of the Kingdom. The year 2023 saw the Bank's HR Group continuing its momentum from 2022, fast adopting globally benchmarked HR practices and technology in a highly competitive job market to attract, develop and retain best-in-class talent capable of driving the organisation's ambitious strategic goals. The HR Group collaborated with all business divisions to deliver future-ready human resources powered by best-in-class HR practices, thereby effectively meeting business challenges.

Under the BOTF Strategy objective of being a preferred employer, Al Rajhi's HR Group focused on a few key areas during 2023:

- Competency-driven talent acquisition
- Nurturing talent through planned capacity building and development with motivating career progression
- Creating an attractive employer brand through employee value proposition

- Driving a performance-driven culture coupled with robust performance management framework and a performance-based rewards proposition
- Increasing employee satisfaction and loyalty by effectively and rapidly actioning employee engagement survey results
- Integrating future-ready HR Technology
- Instilling a digital and agile mindset and culture.

With the successful implementation of the targeted strategic initiatives under each focus area, the HR Group effectively strengthened best in class HR practices and frameworks to build an industry-redefining employee value proposition, over-achieving a majority of the BOTF human resource KPIs in 2023.

Furthermore, the Bank's HR Strategy continued to align itself with ambitious Vision 2030 targets set by the Kingdom – and its Human Capability Development Programme in particular – empowering and equipping its people to complement the overall efforts of the Kingdom during the year in review. Such efforts include Graduate Development Programmes, emphasis

on feminisation with promising career paths for female employees, strong Saudization initiatives and well-structured senior Saudization programs to build competent Saudi leadership, all contributing towards driving the vision of the Bank and that of the Kingdom.

The workforce profile of al rajhi group

Al Rajhi Group's consolidated human capital remains its engine for successful value creation, with the 20,878 strong team demonstrating great adaptability to the evolving business landscape and job requirements, while driving loyalty and brand value among its customers.

Workforce analysis

	2023	2022	2021	2020	2019
Total number of employees	20,878	19,964	15,078	13,445	13,439
Percentage of female employees (%)	30	28	21	15	16
Percentage of Saudi employees (%)	88	89.07	91.96	91.31	91.14
No. of employees departed	5,176	5,191	2,964	1,781	2,104
Turnover ratio (%)	25	19.18	17.30	15.32	15.40
Total Training Hours	609,438	849,284	590,012	335,747	474,439

GRI 401-1

Total new hires by age group and gender

Grade	18 to 30 years			Over 30 years		
	Male	Female	Total	Male	Female	Total
2023	2,222	2,152	4,215	1,610	666	2,435
2022	2,882	3,183	6,064	1,584	563	2,147
2021	2,670	1,064	3,734	1,850	172	2,022
2020	1,838	336	2,174	1,307	77	1,384
2019	1,794	627	2,421	1,132	89	1,221

Employees by grade and gender

Grade	Male		Female	
	2023	2022	2023	2022
Senior Management	430	530	23	24
Middle Management	1,099	1,212	272	221
Other	12,932	12,596	6,031	5,381

Employees by age group and gender

Age group	Male		Female	
	2023	2022	2023	2022
18-30 years	4,782	5,082	4,205	3,948
31-40 years	6,741	6,558	1,727	1,334
41-50 years	2,616	2,351	343	297
Over 51	322	347	51	47

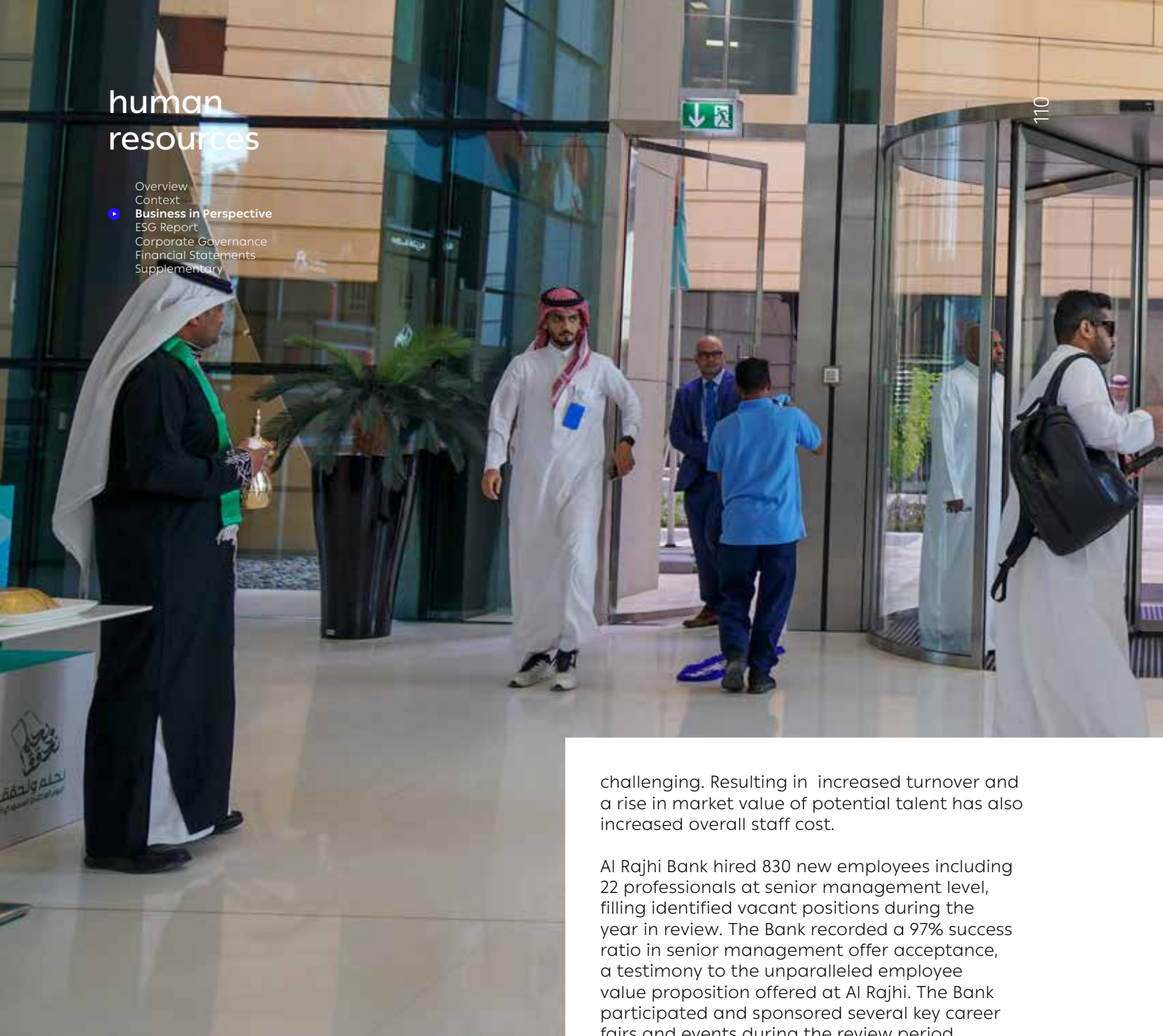
Service analysis of workforce

Number of years of service	Male		Female	
	2023	2022	2023	2022
0-5 years	8,271	7,784	5,286	4,597
6-10 years	2,636	3,310	624	687
11-15 years	1,649	1,341	240	172
16-20 years	1,463	1,341	117	104
Over 20 years	442	562	59	66

Employees by category

Category	2023	2022	2021	2020	2019
Permanent	20,787	15,820	10,904	10,773	11,040
Contract	91	100	143	167	160
Outsourced	0*	4,044	4,031	2,505	2,239
Total	20,878	19,964	15,078	13,445	13,439

*All outsourced employees in 2022 have moved to Tanfeeth as part of the Al Rajhi Group



The acquisition and retention of top-tier talent

Talent acquisition, particularly pertaining to talent with future-ready skill-sets and capabilities continued to be a challenge in the Kingdom, with the demand over-running the supply in the job market creating scarcity, and resulting a contest for talent. The continued diversification of the Saudi economy during the year in review has also made career paths in other rapidly growing industries highly appealing to skilled and qualified individuals in Saudi Arabia, making the retention of high-potential talent more

challenging. Resulting in increased turnover and a rise in market value of potential talent has also increased overall staff cost.

Al Rajhi Bank hired 830 new employees including 22 professionals at senior management level, filling identified vacant positions during the year in review. The Bank recorded a 97% success ratio in senior management offer acceptance, a testimony to the unparalleled employee value proposition offered at Al Rajhi. The Bank participated and sponsored several key career fairs and events during the review period, resulting in highly positive feedback from potential candidates, further strengthening the Bank's employer brand, thereby resulting in a significant increase in candidate applications.

A number of improvements were made to Al Rajhi Bank's onboarding process during the year in review. These included:

- A Welcome Kit
- Opening a new and exclusive 'Staff Banking Account' through the Al Rajhi banking App
- Digital hospitality with Urpay wallet
- Introduction to the Buddy Programme to connect with an allocated existing employee for support and fellowship



With the implementation of Al Rajhi Group's internal mobility platform 'Nomu', the recruitment process was also directed inwards to explore and utilise the Group's existing talent pool across the Bank and its subsidiaries. Total visits on the Nomu platform at the close of the year exceeded 17,000 – marking the success of this initiative.

Al Rajhi Group also continued to strengthen its reputation as an equal opportunity employer, contributing towards the Kingdom's feminisation targets by empowering and adding value to the role of women in the workforce. Al Rajhi Bank focused on creating female-friendly as well as female-only job opportunities, with the Contact Centre in Qassim staffed by only females. In 2023, Al Rajhi Group's female employee ratio increased from 28% to 30%, a significant achievement in

line with the Group's diversity and inclusion KPIs. The first female only IT Development Programme (ITDP) was launched during the year in review, and will be further detailed in the Learning and Development Section. The Bank has well-established systems in place for employees to report any incidents of discrimination, with necessary disciplinary actions implemented based on the approved disciplinary procedure. There have been no incidents of discrimination recorded during the year in review.

Employee turnover

Year	18 to 30 years			Over 30 years		
	Male	Female	Total	Male	Female	Total
2023	1,461	1,363	2,824	1,816	536	2,352

Talent management

Globally, the ongoing evolution in talent management practices demonstrates an increased emphasis on employee wellbeing, diversity and skills development. Keeping on par with global trends and understanding the need for flexibility and progress, Al Rajhi Bank incorporated a few strategic changes to its Talent Management and Leadership Development Framework. Given below are the highlights of 2023:

Talent identification and succession planning

✓ Critical Roles Assessment

Identifying "critical roles" that contribute significantly to business, and could pose a risk to the organisation if made vacant. All senior management roles were assessed to identify roles deemed Critical from an Organization and regulatory point of view

✓ Talent Assessment

All head office employees were assessed, with 15.5% of the assessed population identified as talent with potential to grow within the organisation

✓ Succession Planning

With critical roles identified, the talent assessment results served as a valuable input to help map appropriate successors from the pool of talent with growth potential. In 2023, successors were identified for the Critical Roles with varied levels of readiness, and targeted development opportunities provided in line with individual readiness and development needs as part of the Bank's Talent Development Agenda.

Talent pipeline development

✓ Competency based development

Development programmes at leadership level for Senior Management were implemented to target two specific competencies: Managing Ambiguity and Developing Talent, followed by one-on-one coaching sessions on the application of new learnings

✓ Transition Management Programs:

Programs designed to equip individuals with the necessary skills, knowledge, and mindset to succeed in new leadership roles. In 2023, the Leadership Transition Development Program comprising a blended learning approach with assessments helped the third batch of future Al Rajhi leaders from the talent pipeline ready for leadership roles.

✓ Individual-Centric development:

A significant development in 2023 - blended learning with embedded one-on-one coaching for identified talent in leadership roles, who are encouraged to set specific goals and action plans to address their individual development areas, with feedback for improvements provided through performance evaluations and assessments.

✓ Opportunities through Internal Mobility

In 2023 Al Rajhi launched 'Nomu', the internal mobility platform that provides visibility of career opportunities across the Al Rajhi Group, empowering employees with the opportunity to explore broader prospects and build capabilities, thereby enabling organic talent growth across the Group.



Employee remuneration and other benefits

A new set of **Banks Remuneration Rules** issued by SAMA came into effect from 01 June 2023, superseding the previous compensation rules issued back in 2010. The Al Rajhi Bank Rewards Team worked closely with HR Governance, the Chief Risk Officer (CRO) and other stakeholders to revamp the Bank's Remuneration Policy to meet with the new guidelines, implementing necessary actions across the Bank and its subsidiaries to be fully compliant with the new rules. The new Remuneration Policies were reviewed and approved by the respective Nomination and Remuneration Committees and the Board of Directors, in line with regulatory requirements.

Based on the continuous evolution of business and the market conditions, the performance-based variable incentive and remuneration programmes were revamped and enhanced in 2023 to maintain employee motivation, whilst ensuring strict adherence to all rules and regulations pertaining to remuneration frameworks.

The Rewards team continued to work closely with the Performance and Talent Management functions to implement the Bank's Performance and Talent management initiatives, promoting and recognising employees who meet the Bank's robust career progression criteria. The Bank has a clear practice of making sure no employee is hired below regulated minimum wages. Additionally, Al Rajhi Bank does not have part time or temporary employee categories; all permanent employees and any insourced employees from any of the subsidiaries enjoy all applicable benefits and facilities.

The 2023 financial year saw Al Rajhi Bank continue to make celebratory payments to employees on special occasions, rewarding 5060 employees in total as at the end of the year by celebrating personal milestones including marriage, the birth of a child, performing the Hajj pilgrimage and educational achievements, while also funding medical insurance upgrades as necessary for individual employees. The Managing Director and Chief Executive Officer of Al Rajhi Bank also extended his well-wishes to employees on their marriages and the birth of a child, while also reaching out to encourage employees receiving

medical care and treatment. Al Rajhi Bank continued the Vacation Allowance of One Basic Salary during 2023 to further strengthen the bank's Employee Value Proposition.

A number of initiatives were also directed at encouraging a culture of saving and investment among employees of Al Rajhi Bank and its subsidiaries; Savings Scheme 2 - the two-year savings programme launched during the previous financial year saw the participation of 4,400 employees in 2023. The Bank also launched the exclusive Alwalla Fund in 2023, a Private Fund providing employees promising investment opportunities.

GRI 401-2

Salaries and benefits

SAR '000	2023			2022		
	Fixed compensation	Variable compensations paid		Fixed and variable compensation	Variable compensations paid	
		Cash	Shares		Cash	Shares
Executives	61,014,516	29,337,536	77,530,880	50,693	23,996	55,595
Employees engaged in risk taking activities	598,838,792	196,497,533	42,417,235	590,626	189,914	32,478
Employees engaged in control functions	220,382,147	46,241,626	35,694,471	214,190	41,174	26,857
Other employees	1,928,200,448	337,097,929	58,537,161	1,804,438	313,694	46,344
Total	2,808,435,903	609,174,624	214,179,747	2,659,947	568,778	161,275
Accrued variable compensations in 2023	256,851,673	-	-	247,731	-	-
Other employees' costs	459,808,531	-	-	487,513	-	-
Gross total	3,525,096,107	609,174,624	214,179,747	3,395,191	568,778	161,275

Celebratory payments in 2023

Initiative Type	Marriage	Newborn	Insurance Upgrade	Back to School	Hajj	Total
Number of employees	179	885	136	263	3,447	4,910

CEO customised gifts in 2023

Initiative Type	Marriage	Newborn	Patient
Number of employees	198	815	8

Employee saving scheme

Numbers for ARB Group	ARB	ARB subsidiaries	Total Participants
Plan 1 (2019 to 2021)	3,034	0	3,034
Plan 2 (2022 to 2024)	4,565	1,038	5,603

GRI 401-3

Parental leave by gender 2023	Female	Male	Total
Number of employees that were entitled to parental leave	102	649	751
Number of employees that took parental leave	102	642	744
Number of employees that returned to work in the reporting period after parental leave ended	101	642	743
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	100	634	734
Return to work and retention rates of employees who took parental leave	100	634	734

human resources

Overview
Context

● Business in Perspective

ESG Report
Corporate Governance
Financial Statements
Supplementary

HR Business Partners

HR Business Partners continued to play a crucial role in actively integrating the HR Group's people agenda with the Bank's ambitious strategic growth plans, enabling the successful achievement of business goals and targets during the year in review. Liaising between HR and the Bank's business verticals, HR Business Partners provide structured HR platforms and frameworks as a one-stop focal point for employees to progress in their careers by aligning with business needs. This deep understanding of the business makes Al Rajhi Bank's HR Business Partners act as ambassadors of driving the overall HR Strategy to ensure maximum benefits are enjoyed from such strategic HR interventions across the business.

HR governance

GRI 403-1

The Al Rajhi Group upholds recognised standards and principles for labour practices, and strives to ensure safe and fair working conditions and practices through regularly reviewed policies, nurturing a work environment where employees feel protected and encouraged. The HR Governance Department was further strengthened during the period under review to support the Bank's transformational journey, and proactively act as the second line of defence for the HR Group by providing assurance on matters of compliance with all regulations and laws.

The Internal Company Bylaw was updated to ensure better clarity and awareness on the governance structure for the benefit of employees. The Bank's petition submission process was also improved by streamlining the Bank's Petition Committee procedures, allowing any and all employees the ability to submit a petition for consideration by the Bank.

The Bank continued to strengthen ties with regulatory stakeholders during the year in review, demonstrating the Bank's long-standing commitment to engaging with relevant

regulatory bodies, continuously revising and enhancing its HR policies and procedures to ensure strict alignment with regulatory updates and necessary business requirements each year.

In line with the Bank's Corporate Governance Framework, all policies including the HR Policy, which is designed based on regulatory, business and strategy ambition requirements, is approved by the Board of Directors. Clear delegation of authority is mandated by the Board, empowering the Managing Director and Chief Executive Officer, and the Chief HR Officer to effectively implement the HR Strategy and necessary policies and procedures across the Bank and its fully-owned subsidiaries.

Apart from the recently issued Banks Remuneration Rules, Al Rajhi Bank was required to comply with several additional new regulations implemented by SAMA and other regulators, where the bank was required to comply and make necessary internal policy/procedures updates and create appropriate actions and awareness to achieve adherence to the new rules and regulations. These included:

- Disclosing annual training data in accordance with procedural guidance in the QIWA platform based on the new resolution issued by the Ministry of Human Resources and Social Development coming into effect.
- Achieving minimum completion rate on SAMA certification and complying with the varying requirements expected from the regulator during the year.

Employee engagement and communication

GRI 2-26

With a Whistleblowing Policy, Grievance Policy and other modes of communication firmly in place, Al Rajhi Bank provides safe communication channels for whistle-blowers, including both an anonymous hotline and email address, allowing employees to report their concerns from outside the workplace. For grievances, there are special

channels where employees are able to submit grievances, which will be escalated to the relevant parties for immediate and appropriate action. Employee engagement was further improved by enhancing existing communication tools and channels during the year in review. The Group's employee communication channels include:

- Annual Employee Engagement survey
- Senior management meetings and messages
- Employee email updates
- Circulars
- HR internal communication messages
- Periodic news broadcasts
- Whistleblowing and grievance channels
- HR self-service mobile app
- HR hotline
- Town-halls.

In addition, other interactive events such as The Annual Roadshow, Strategic Off-sites, CEO Recognition Awards, Coffee with CEO, and regular branch visits by Head Office Seniors were all aimed at enhancing employee engagement and morale during the reporting period.

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

Following the feedback from the annual employee engagement surveys conducted in 2022, action plans were rolled out during 2023 to address areas highlighted for improvement. Some of these initiatives included improvements across the Performance Management function with enhanced system capabilities to promote more autonomy and transparency; formalising agreements with local and global educational institutions to enrich learning curriculums and improve Learning and Development benchmarks; and creating structured development opportunities to enhance employee mobility and promotions, thereby improving

the overall Talent Management function. All arrangements are in place to carry out the 2023 Employee Engagement Survey by the end of the year in review.

Learning and development

GRI 404-1, 404-2

During the year in review, Al Rajhi Group invested in learning and development (L&D) solutions with a blended learning approach inclusive of classroom, virtual, e-learning, on-the-job, certifications, coaching and mentoring. The Al Rajhi Academy enhanced its training programmes during the year in review, focusing on meeting several strategic objectives while also bridging identified skill and capacity gaps across the Bank's business verticals. The training largely fell under four areas of focus:

1 Regulatory

As the largest retail bank in the kingdom, Al Rajhi Bank is committed to ensuring its employees are certified and accredited to provide sound financial advice to its growing customer base. One of the Bank's key structured learning initiatives in this regard has been the continuous regulatory certification of employees, with over 9,000 accreditations at the close of 2023.

2 Strategy Initiative

In order to meet the targeted growth across business segments in line with the BOTF Strategy, the Academy successfully trained and accredited 3,300 sales staff across relevant business verticals, enabling them to effectively achieve the Bank's business goals by promoting identified growth products.

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

3 Domain Specific

Development programmes also continued to be curated according to domain-specific training requirements and launched during the year in review, including new technical certifications, advanced systems accreditations and other regulatory requirements such as:

- Private Relationship Manager (RM) Certificate to meet expected customer-standards for improved and unmatched service
- Micro and Small Business (MSB) Training Programme to strengthen the Bank's value proposition for the fast-growing sector, with 45 sales agents successfully completing the development programme and evidencing a positive outcome
- Tele-sales Development Programme to explore and tap into cross-selling opportunities, with 200 agents successfully completing the course
- Empowering Employees Programme to instil special skills in 30 frontline employees across 30 select Al Rajhi Branches, to service customers with disabilities

4 Competency Development

New competency development initiatives were launched to meet identified skill and capability gaps to encourage career growth and manage ambiguity.

A total of 9,811 employees accessed the Academy's Learning Management System TALEEM during the year, enjoying and exploring exclusive learning content and benefits. Furthermore, two training modules, namely the Anti-Fraud training awareness programme and the General Cybersecurity Awareness programme, were both digitised and added to TALEEM. The two new training modules were also added to METAKKED – the AI-embedded gamification app used by over 10,000 employees to win rewards points by answering questions under a variety of topics. An ESG-based micro learning video recording was also added to TALEEM to increase employee awareness and interest in the Bank's commitment towards upholding good ESG practices.

The Academy continued to partner with best in class vendors to conduct tailored development initiatives in line with the agreed L&D agenda, while also formalising agreements with Top Local Universities for cooperative training that will provide students with valuable skills and insights to improve their employment readiness.

SAMA certification statistics of Al Rajhi Employees

Certifications	Targeted Audience	Certified	Percentage
Retail Banking Foundations Professional Exam	5,449	5,313	97.50
Credit Adviser Professional Exam	2,986	2,773	92.86
Tahweel Professional Exam	784	704	89.79
Insurance Foundation Certification Exam (Launched 07/23)	3,300 (Sales Channels)	369	11

Employee training

	2023	2022	2021
No. of training programmes	2,773	2,315	1,109
Total no. of participants	15,295	26,474	15,322
Training days	101,573	141,547	98,335
Hours spent on training	609,438	849,284	590,012

Hours of training by grade

Grade	Total hours of training
Senior Management	1,146
Middle management	21,123
Other	587,169

Employee training by gender

Type	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Mandatory	4,621	1,270	5,891	59,844	18,792	78,636
Non-mandatory	5,282	4,122	9,404	418,488	112,314	502,170
e-Learning	4,437	3,915	8,382	75,736	40,722	116,458

Employee training by category

Type	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Senior Management	89	3	92	1,104	39	1,143
Middle Management	884	146	1,030	17,826	3,296	21,122
Other	8,930	5,243	14,173	316,620	270,553	587,173

Hours of training by skill type

Type	No. of persons trained	Hours training
Technical skills	13,860	428,894
Soft skills	1,435	180,544

The development of future talent

In line with the BOTF Strategy of building a strong pipeline of young Saudi talent with future-ready skills to drive the Bank's ambitious strategic imperatives this year and beyond, Al Rajhi Bank onboarded a new batch of best-in-class fresh graduates through a rigorous selection process for the Graduate Development Programmes (GDP) in 2023. The comprehensive development programme annually grooms a select group of youth to meet the Bank's evolving business, technical as well as leadership requirements, following up by deploying the Graduates who successfully complete the GDP in junior and mid-level roles across the Bank.

Each year, the scope and design of the GDP is reviewed and updated accordingly, ensuring it is kept current and relevant to address emerging talent requirements. In 2023, a number of new modules and practises were introduced to further strengthen the programme:

- Banking 101 for IT Professionals
- Digital and Fintech Certification - by reputed external firms
- Robust 'Rotation process' with Pre and Post evaluations

2023 Highlights in Graduate Development:

- **Approved 5 Graduate Programs with a total intake of 140 graduates**, including 2 flagship Graduate Development Programs (GDP), 2 IT Development Programs (ITDP), and 1 Business Excellence Program (BE). 1 GDP and 1 ITDP Programme commenced during 2023, while the remaining 3 Programmes have initiated the selection process to commence during Q1 of 2024.
- **First female batch of IT Development Program (ITDP) with 30 female graduates** inducted primarily for the Digital business line. This programme is considered a high-impact initiative that contributes towards significantly increasing Al Rajhi Group's female employee numbers through well-structured development programs with assured and rewarding career progression.
- **Graduation events** to celebrate the successful completion of the programmes with a formal graduation ceremony graced by the attendance of senior leadership, to recognise the dedication showcased by the Graduates, and to provide motivation and direction for their continued career growth within the Al Rajhi Group.
- **Engagement sessions** with the Talent Development Team to provide clarity on development journey and career path, building continuous engagement and encouraging clear communication to request any further coaching and counselling throughout their journey.

- **Focus group sessions** conducted to understand the needs of the new generation and accordingly shape the 42-month journey as a graduate at Al Rajhi Bank with a promising career path and performance-based rewards, with an intent to increase retention.
- **Awaiting deployment of 150 graduates** in junior and mid-level roles following the completion of the programme, bringing the total of recruited GDP graduates to 606 since the inception of the programme in 2015.

Embracing and fast adopting HR-Tech

Technology and innovation continued to play a catalytic role in HR during the year in review; Al Rajhi launched the internal mobility platform 'Nomu' in 2023, a virtual job board that provides access to all employees across Al Rajhi Bank and its subsidiaries to explore and apply for new job opportunities within Al Rajhi Group. The platform is able to access and display employee skills and experience, and facilitates easy application and progress tracking. The platform also allows for employee referrals by their colleagues.

More features were added to Al Rajhi Bank's Recruitment and On-boarding System during the year in review with a number of enhancements to the Talent Acquisition Process; the Offer procedure was fully automated, as was the new Staff Bank Account opening, which is automatically executed following new employee on-boarding - yet another process that has been further improved to increase efficiencies and deliver a seamless on-boarding experience.

SAHL - Al Rajhi Bank's employee self-service app - also underwent a number of upgrades in 2023; the enterprise version of SAHL customised specifically for Al Rajhi Bank was launched in order to enable more services and features, remaining the single point of contact and communication for Al Rajhi employees. The new and enhanced version of SAHL improved the employee value proposition by providing a customised and enriched user experience for employees when accessing HR self-services. The employee loyalty and benefit app Testahl was also integrated as

part of the upgraded SAHL app. The attendance tracking function through geofencing was extended to District Managers, who could utilise the SAHL mobile app to easily and efficiently record their attendance during their respective branch visits.

The Bank automated its Incentive Calculation process with a dashboard for viewing the incentives, with an open channel for employees to raise their concerns or direct complaints on their calculated incentive amount. The nomination and evaluation process of candidate requests for supervisory positions in branches was also automated during the year, with candidates earning the highest evaluation points according to programmed criteria being automatically selected for the position.

Future outlook

The immediate future focus of the HR Group Strategy is to align with the overall Al Rajhi Group Strategy cycle for 2024-2026, establishing harmonising HR policies, procedures and initiatives across the Group to maximise synergies and achieve a competitive advantage through strategically developed human capital. The HR Group will continue to implement Board approved HR strategies focusing on skilled talent acquisition to meet growth demands across the Bank's business verticals. Best-in-class learning and development solutions will be continuously formulated to bridge emerging competency gaps. The HR Group will also continue to revamp the employee value proposition, aligning with market developments, maintaining and improving the employee engagement score and employee satisfaction ratings, thereby ensuring existing employees remain motivated, engaged and loyal to Al Rajhi Bank, while appealing to potential employees as one of the most preferred employers in the Kingdom.

marketing and customer experience

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

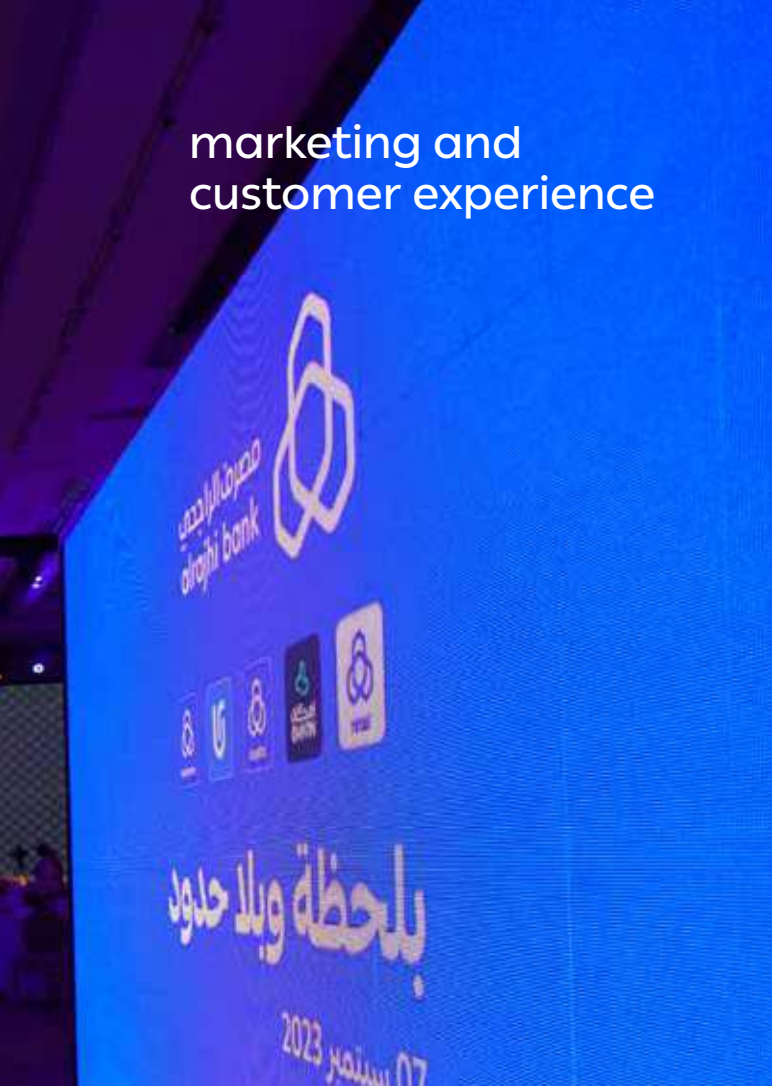


Uninterrupted digital transformation culminated in a richer, more engaging and unparalleled customer experience in 2023, reflected by Al Rajhi Bank's impressive Net Promoter Score of 79 for digital banking.

In a year characterised by notable expansion in the financial sector despite the uncertainties of global markets, the Marketing and Customer Experience Group continued its digital-centric marketing approach, leveraging digital avenues, emerging technologies, data analytics, and insights to promote innovative financial offerings and services, and deliver an unmatched customer experience. Stronger emphasis was placed on social media platforms to strengthen its digital presence, boost awareness and engagement, particularly targeting a younger, more digitally native demographic.

The uninterrupted digital transformation also culminated in a richer, more engaging and unparalleled customer experience during the year in review, as reflected by Al Rajhi Bank's impressive Net Promoter Score (NPS) of 79 for digital banking in 2023, positioning Al Rajhi Bank as the preferred choice for the modern, digitally-savvy banking customer. The Bank's loyalty programme mokafaa also maintained its industry leading NPS for the year under review, further evidencing the growing customer loyalty and retention strength of the Bank.

marketing and customer experience



One of the notable initiatives carried out by the Marketing and Customer Experience Group during the year in review is the establishment of a dedicated Growth Marketing Team within the Marketing department, to bolster the Bank's digital marketing capabilities. This team consisted of experts in growing digital footprint and tailoring communications for various audiences, ensuring that the Bank has the necessary skills and knowledge to navigate the rapidly evolving digital landscape effectively.

Furthermore, the Marketing and Customer Experience Group also focused on strongly aligning and effectively leveraging team skills and expertise to meet rapidly evolving trends, maximising efficiency and productivity. This enhancement of the team through the mapping of capability to job role resulted in greater and seamless collaboration and innovative thinking, enabling the team to achieve key objectives that led to a significant impact on Al Rajhi's overall market position.

Increasing brand salience

Al Rajhi Bank's brand salience remained stable during the reporting period, maintaining its position as the Bank with the highest Top of Mind (TOM) recall for the past five years, a consistency that indicates a strong and well-established brand presence in a competitive market. The Bank's positioning, which scores highest across all verticals, has further bolstered its brand equity, making Al Rajhi one of the strongest brands in the Kingdom, and placing it significantly ahead of its closest competitor.

The Bank's strong positioning in Islamic banking as well as its high market share among the digitally-adept customer segment, demonstrates the success of a brand strategy that evolves and appeals to various demographics, while remaining anchored to the Bank's well-established, decades-long legacy. The new mega brand campaign during Ramadan (The Blue Bank) showcased the brand's young spirit and appeal to the market.

The Bank participated in a number of public service campaigns during the reporting period organised by the collective of Saudi Banks, to further strengthen its brand salience as a trusted institution that promotes financial inclusion across the Kingdom. Key among these campaigns organised by Saudi Banks were:

- The Anti-Fraud Digital Campaign #مو_عادي
- Ministry of Interior's tweet #Saudi_Vision_2030
- Participation in awareness lectures in Qurayyat Chamber
- The Anti-Fraud Campaign during Hajj season as part of the Financial Awareness Campaigns
- Participation in "Wise Banker" Awareness Workshop at Prince Sultan University

Al Rajhi Bank also continued to promote financial inclusion by improving accessibility to financial services to underserved segments, adding locations of branches to the Al Rajhi app, which service people with special needs via the help of a sign language interpreter. This project was initiated during the year in review, and remains in progress as at the end of the reporting period.

marketing and customer experience

Overview
Context

● Business in Perspective

ESG Report
Corporate Governance
Financial Statements
Supplementary

Brand adaptation

Having recognized the significance of adaptability in a rapidly evolving market, the reporting period saw the Marketing Team implementing strategic changes to cater to new customer segments more effectively. One major change was the transformation of the brand's tone of voice, making it more relevant to the diversified demographics the Bank was specifically targeting during 2023:



Youth demographic

- Transformation in tone of voice with a more contemporary approach in communication
- Digitally present, approachable and accessible
- Relatable to the younger generation reflecting their aspirations, goals and financial needs
- Fostering a deeper connection as a trusted financial partner for evolving requirements

Female demographic

- Transformation in tone of voice to better resonate with women as supportive and encouraging
- Recognizing the growing economic influence of women
- More inclusive communication to emphasize empowerment, financial independence and diverse financial goals
- Aimed at providing highly tailored solutions and support

Private banking

- Transformation in tone of voice to align with the demand for sophistication and exclusivity
- Communication more refined and highly personalized
- The Bank's depth of expertise is highlighted as the key differentiator in providing high-end financial services
- Nurturing stronger relationships to meet distinctive financial needs

Adapting the brand's tone of voice was instrumental in ensuring Al Rajhi Bank remained the highly-appealing bank of choice across diverse demographics. By acknowledging and addressing the unique requirements of youth, females, and private banking customers, the bank was well-positioned to attract and retain these segments, ultimately driving growth and customer satisfaction throughout the reporting period.

The Bank focused on the female segment with two distinctive promotional campaigns during Women's Empowerment Day and Mother's Day in 2023, collaborating with various partners to present exclusive offers and benefits to its growing female customer base, celebrating their achievements and supporting various aspects of their lives. The Bank also introduced a specialised credit card during the year in review tailored to meet specific needs and preferences of female customers. This credit card offers unique promotions and partnerships that cater to the distinct interests and requirements of women.

Nurturing customer loyalty through an enriching customer experience

The Customer Experience Team continued to harness the power of multiple communication channels throughout the reporting period including SMS, WhatsApp, Push-Notifications, electronic direct marketing (EDM), landing pages, as well as conventional channels such as outbound calls, to gauge customer expectations, maintain active engagement, and gather feedback from customers.

Several key initiatives were introduced to provide a more holistic and seamless customer experience, greatly strengthening customer relationships and satisfaction:

How-To Videos:

A series of instructional "How-To" videos were introduced to empower customers with step-by-step instructions, to better navigate, use and customise the Bank's fully digitized products and services.

Enriched Loyalty Experience:

Adding the Bank's loyalty programme mokafaa as an engaging feature on the Al Rajhi Bank mobile app, providing customers with exclusive offers, rewards, and personalized recommendations based on their banking history and preferences.

Enhanced Marketplace (eCommerce):

Enhancing the marketplace within the Bank's mobile app for a seamless online shopping experience, and enabling customers to access multiple services with the app evolving into a one-stop destination for both financial as well as lifestyle needs.

Transition to digital services:

Allowing customers instant access to a wide array of digitally streamlined banking services from the convenience of their mobile devices to meet fast-changing customer preferences for digital banking.

The Marketing and Customer Experience Group's continued efforts to enhance and enrich user experience across all channels saw Al Rajhi Bank being lauded with the **"Best Consumer User Experience (UX) Design (Saudi Arabia)"** award Presented by Global Finance in 2023.

marketing and customer experience

Overview
Context

● Business in Perspective

ESG Report
Corporate Governance
Financial Statements
Supplementary

A number of market research studies were conducted by the Marketing Team during the review period to better understand customer sentiment with regard to specific focus areas. Key among these were the below mentioned studies:

People's First Choice

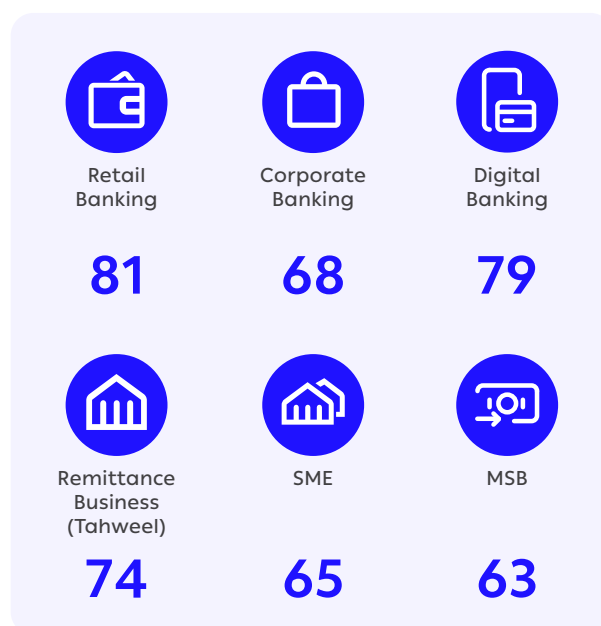
- ✓ To identify the bank of choice of people, and understand the reasons driving this choice in order to maintain market leadership. SCORE: 52%

Jordanian Market Study

- ✓ To understand financial behaviour and needs of Jordanians living in KSA, and their need for home finance and auto finance in Jordan.

With Net Promoter Score (NPS) being widely adopted globally as a relational measurement of business growth in relation to customer loyalty, the Marketing and Customer Experience Group has emphasised NPS measurement across the Bank's business verticals as well as products and services, to better gauge customer loyalty, as well as areas that require improvement.

Al Rajhi Bank recorded an impressive Net Promoter Score (NPS) of 81 for conventional banking and 79 for digital banking during the year in review:



Several digital initiatives were introduced during the year to streamline processes that enhanced the overall customer experience. These include:

- **Digitization of POS Financing**
Transitioning from an in-branch loan request execution to a simplified, fully-digital journey, with a 68 NPS
- **IBAN Letter Application**
Enabling digital application for IBAN certificate, achieving an NPS of 80
- **Opening Additional Accounts:**
New feature on e-Corporate allowing clients to open additional accounts, gaining an 80 NPS

- **Travel Plus Currencies Expansion:**

Increasing currency options from 5 to over 30 on the Travel Plus card via the app, receiving a high NPS of 76.

- **Control of Credit Card Status:**

Introducing app features to enable/disable certain card features for better control and security of the card, receiving a high NPS of 76

- **Temporary/Permanent Closure of Credit Card:**

Introducing app feature for temporary or permanent closure of credit cards, achieving a 76 NPS

- **Tasaheel for Revolving Credit Cards:**

Introducing app feature to convert transactions to instalment plans, cutting down the previous 48-hour processing time, with a 76 NPS

- **Supplementary Credit Card Application:**

Streamlining supplementary credit card applications through the app, reducing the processing time from 72 hours, with a favourable 76 NPS

- **Auto Lease Application:**

Introduction of auto lease application feature through the app addressing previous limitation, achieving a 69 NPS rate

- **Digitalizing the Transfer of Vehicle:**

Simplifying the process of transferring the vehicle to the customer's name post final loan payment, avoiding additional insurance costs and achieving a 69 NPS

The high NPS across all initiatives indicate successful digital transformation efforts that have addressed previously identified limitations in customer-facing operations, leading to improved customer satisfaction, and subsequent business growth across the Bank.

During the year in review, the Marketing and Customer Experience Group also collaborated with internal divisions to significantly enhance customer experience through a blend of analytical insights, collaborative brainstorming, and continuous service evaluation, thereby creating a highly responsive customer-centric environment:

- **Analysis and Innovation:** Thorough analysis and monitoring of customer communication that were channelled through the Customer Care Department and Contact Centre helped identify areas that required immediate attention and improvement powered by innovation.
- **Product Management Collaboration:** A continuous dialogue between the Marketing and Customer Experience Group and Project Management Team of the Bank facilitated a better understanding of how products and related services could be refined and improved to meet customer expectations.
- **Continuous Service Evaluation:** Appraisals of service quality at various customer touchpoints were carried out continuously, with the Marketing and Customer Experience Group sharing significant findings with respective departments, who could then address the needs for improvement.

Marketing revamp

With the formation of a Growth Marketing Team during the reporting period, Digital Marketing objectives for the year in review revolved around digital platform adoption, increasing awareness, enhancing engagement, and driving sales. This approach catered to both new customers and existing ones, promoting a holistic strategy to improve the digital customer experience.

marketing and customer experience

Overview

Context

Business in Perspective

ESG Report

Corporate Governance

Financial Statements

Supplementary

A number of paid digital marketing campaigns were executed by the Marketing Team during the year. The majority of the marketing budget was spent on digital marketing, as it was proven to be the most effective channel for higher penetration and conversion rates.

- Blue Week Campaign
- Aid Campaign
- Million Account Campaign
- National Day Campaign
- Start Right Campaign
- Saudi Founding Day Campaign
- Apple Campaign
- Alfursan Credit Cards

The Digital Marketing Team utilised various tools to generate conversions and engagement through SMS, Push Notifications, emails, and other customer relationship management (CRM) channels. These systems have significantly aided in centralising all digital marketing campaign initiatives, allowing for a more cohesive strategy and better analysis of campaign performance across different channels.

Alongside the measurement tools, the Team also utilised Al Rajhi's real time marketing capabilities for the Content Management System. The implementation of this has resulted in notable efficiencies, particularly in content creation, distribution, and analysis. The system has enabled the Digital Marketing Team to quickly adapt to content performance metrics and optimise strategies accordingly.

Championing social media

In 2023, the Marketing and Customer Experience Group rolled out a Social Media Strategy with the overarching aim to bolster its online presence and promote new digital banking products, specifically targeting the youth and digitally-savvy demographic. A number of social media activities were implemented in-line with this strategy during the reporting period:



- **Ramadan Competitions:** A Viral Sensation
 - 30 million views - one of the most-watched events of the year
 - Over 300k reposts and 450k replies
 - Trending status achieved 10 times over



- **Sabtyat:** A Weekly Engagement
 - 11 million views
 - Over 2.2 million active interactions on platform X (formerly Twitter)
 - More than 130 prizes distributed among loyal customers





- **TikTok Debut:** Setting Records and Pioneering Trends
 - Al Rajhi Bank became the first active TikTok Account managed by a Bank in the Kingdom of Saudi Arabia, pioneering a digital-age trend and setting the benchmark for other banks to follow.
 - 100 million views, strongly resonating with the TikTok community.
 - 635,000 likes.

The Social Media Strategy was extended to the Al Rajhi subsidiaries, carrying out assessments and analyses to ensure the subsidiary companies too, were well aligned with the overall customer engagement efforts. The team was instrumental in curating social media calendars for both Al Rajhi Takaful and Al Rajhi Capital, while assisting both subsidiaries in selecting social media agencies to manage and populate their social channels. A social media strategy for the UrPay digital wallet was also executed, driving higher engagement by leveraging existing data and insights of target audiences.

The Bank's social media strategy in 2023 led to notable growth across various metrics, aligning with the set objectives:

Social Media Metric

Total Audience

4.5 million

(2022 - 3.6 million)

25% ▲

Overall Engagement

25 million

(2022 - 14.4 million)

73% ▲

Impressions

1,140 million

(2022 - 404 million)

182% ▲

(exceeding strategic objective of 50%)

marketing and customer experience

- Overview
- Context
- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

With the utilisation of social media analytics playing a significant role in the Bank's new data-driven social media strategy, the Marketing Team was able to utilise insights into user behaviour, engagement patterns and content performance, thereby leveraging data to increase impressions and engagement across multiple channels and social networks with targeted campaigns. This was particularly helpful in penetrating into the target youth segment and promoting new digital banking products and services, and increasing conversion rates. The content was also continuously improved to be more relevant and targeted, with the team tracking the performance of content to evaluate the effectiveness and optimise social media campaigns. The deeper understanding of audience behaviour through analysed data also helped the Marketing Team to improve lead generation, resulting in higher conversion rates.

mokafaa loyalty programme

The year in review saw Al Rajhi Bank's mokafaa loyalty program undergoing a thorough overhaul on the Bank's mobile app, delivering a fully digital experience to its members. The app was upgraded with a revamped mokafaa page with simplified navigation for a better User Experience (UX), a transaction page for loyalty-based transactions, promotional banners for the latest offers, and the expansion of its redemption partner portfolio to feature over 210 partners across Saudi Arabia, making mokafaa the largest loyalty redemption portfolio in the Kingdom. The partner portfolio now spans more than 20 major categories such as retail, restaurants, travel, luxury brands, pharmacies, delivery services, groceries, furniture, and more.

mokafaa successfully maintained the top Net Promoter Score (NPS) at 68, reflecting improved customer satisfaction and reduced customer efforts for the year under review. Having the most preferred loyalty programme in the country

also strengthened the Bank's position within the competitive banking landscape, attracting more customers and partners based on its growing brand loyalty.

mokafaa Metric

Total Members

14.7 million 136% ▲

Active Members

7.8 million 56% ▲

New Members

7.5 million 190% ▲

The number of Active Redeemers of mokafaa increased 124% year-on-year in 2023, with the number of redemptions availed through the programme also increasing by a notable 118%.

Key advancements and upgrades of mokafaa front-end and back-end features during this period:

Credit Card Top-Up Feature using mokafaa points

- Partner Portal for full visibility of transactions of specific partners
- Loyalty Accounting Cycle Automation for all mokafaa transactions and financial movements
- Push Notifications Introduction to enhance customer interaction while reducing costs
- Points Transfer using phone numbers with an added option to send points as gifts
- Earn Partner feature enabling members to accrue mokafaa points with external partners

With plans to extend the mokafaa loyalty programme across Al Rajhi Bank's subsidiaries, the Marketing Team initiated plans to upgrade the existing Loyalty Management System (LMS) during the year in review, and shifted to Exadata from Oracle, given its superior robustness and flexibility to handle higher volumes.

During the year in review, mokafaa kicked off a thematic campaign, aiming to bolster awareness of the program among both existing and

potential customers, highlighting the growing loyalty benefits of mokafaa. The campaign was rolled out via major communication channels including social media, paid media, influencers, and internal communications across both Al Rajhi Bank and Group. The campaign garnered over 25 million views, and reached more than 10 million individuals. Additionally, mokafaa launched its own exclusive social media channels on X and Instagram, attracting a substantial follower base that continues to grow.

Future outlook

The Marketing Department's outlook for 2024 remains positive, with continued investment in digital marketing channels and platforms to automate, personalise, and optimise customer interactions, thereby delivering a seamless omnichannel experience for its customers. This will be complemented with marketing communications that encompass educational, experiential, and value-driven content, extending to a wider audience in order to create more awareness of financial inclusion and access to financial products and services across the Kingdom.

The Bank will focus on leveraging advanced data analytics to uncover deeper insights into customer preferences and behaviours,

enabling personalised experiences, communication and rewards, to promote loyalty and advocacy for Al Rajhi Bank. The same principles will also be applied across Al Rajhi Group to ensure a more cohesive experience between the Bank and Group subsidiaries. With deepening interest in data analytics, the Marketing and Customer Experience Group is looking to adopt an effective Smart Marketing strategy that would support in creating more unique and personalised experiences for customers.

shared services group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

The Shared Services Group continued to fast-track ongoing and scheduled projects in 2023 to align with the Bank of the Future (BOTF) Strategy objectives, powering the Bank to strengthen its leadership position across multiple business verticals that could otherwise be impacted by external threats including new fintech entrants in the market. The year in review saw the Shared Services Group continue to engage in rapid automation and digitization across all business units and subsidiaries, in order to reduce product and process complexities and enhance customer experience, delivering system upgrades and other required enhancements.

Information technology

The Information Technology (IT) Department pursued a comprehensive set of targets and objectives during the reporting period, contributing to the Bank's technology transformation while ensuring systems resilience and responsiveness. Overall, all core infrastructure upgrades, tools, and automation initiatives continued to bolster operational efficiencies, while managed services minimised operational risks. Delivery of strategic dashboards and analytical solutions empowered data-driven decision-making and facilitated a deeper understanding across all operations.

The IT Department successfully executed a comprehensive overhaul of all the Bank's legacy systems as per the Bank of the Future (BOTF) Strategy, resulting in a fundamental refresh of core banking systems. This transformation paved the way for a remarkable increase in digital transactions, with the Bank recording a Compound Annual Growth Rate (CAGR) of approximately 50% during the three-year strategy cycle from 2020 to 2023. The Bank also adopted cloud infrastructure during this time, to drive cost-effective scaling for initiatives such as fraud detection, data management, and workloads powered by Artificial Intelligence (AI).

Turnaround times of several key projects were also greatly reduced; this agile approach resulted in the Bank surpassing ambitious targets with the successful delivery of more than 1,300 projects.

Over 100 of these deliveries were major projects that significantly improved Al Rajhi's operational capabilities, while reflecting the Bank's dedication to innovation.

From the successfully delivered line-up of projects, over 700 were from IT Digital. This marked a remarkable threefold increase in deliveries YoY, powered by the Bank's strategic investments in tooling and automation. Given the accelerated delivery, substantial improvements were also made in system stability through innovative approaches, with special agile squad teams complemented by optimised systems and applications including NewGen, Experian, T24, Group IB. Periodic health checks and capacity management plans were implemented to avert business disruptions, with enhanced service monitoring giving the IT Department full visibility on performance and system availability. The balance of projects were evenly divided between IT Demand and Delivery and IT Data Delivery.

The success in increased project delivery and throughput during the reporting period showcased the Bank's dedication to meeting evolving needs of stakeholders, and underscored the IT Department's unwavering commitment to providing secure, efficient, and forward-looking services to Al Rajhi customers.

A broad range of initiatives carried out throughout the reporting year significantly enhanced systems reliability, mitigated operational risk, and further enhanced the Bank's operational resilience while consistently meeting service level agreement (SLA) standards set by the Central Bank of Saudi Arabia (SAMA). Quality of delivery remained a priority despite the rapid pace of delivery, with the IT Department consistently maintaining production SLAs well above 99.95%, ensuring uninterrupted services.

Cybersecurity was embedded across all processes from development to production. Deploying advanced technologies such as source code scanners, penetration testing tools, and vulnerability management systems into the delivery pipeline averted security incidents.

Implementation of a group-wide anti-fraud solution fortified Al Rajhi's defences against financial fraud in real-time.

During the year, significant improvements were made by executing a comprehensive Disaster Recovery (DR) and Network Resilience and Recovery (NRR) revamp. A total 53 physical servers and 1530 virtual servers were fully commissioned to enable this private cloud environment, while also strengthening the hybrid cloud environment across Al Rajhi Bank. This initiative ensured that critical services remain available even in the face of unforeseen events or disruptions, bolstering the Bank's resilience, with the IT Department successfully passing a surprise test requested by SAMA to run Bank services from the DR site.

During the year under review, the IT Operations team, recognizing the complexity of transitioning from its traditional IT infrastructure to a cloud-based infrastructure, initiated a comprehensive effort to streamline operational processes that involved optimising workflows, automating routine tasks, and establishing best practices to ensure a smoother migration process. The overall effort to improve the architecture of the infrastructure was also complemented by upgrading hardware, enhancing network configurations, and implementing cloud-native solutions to ensure that the infrastructure could support the demands of the Bank's hybrid cloud environment. By optimising operational processes and modernising infrastructure architecture, the Bank is now better prepared to handle complex application migrations and achieve the benefits of a more flexible and scalable cloud-based IT environment.

IT enabled new lines of business in 2023 including the Micro and Small Business (MSB) Unit, Small and Medium Enterprise (SME) business service 'SME in a Box', and explored a number of opportunities in Open Banking under newly introduced SAMA regulations, introducing Account Information Systems and Payment Initiation Systems during the reporting period.

The IT Department's dedication to technological excellence, innovation, and customer-centric

improvements has demonstrated remarkable results in the Bank's performance over the last five years; digital transactions accounted for 94% of the total transactions in 2023, a significant rise from 50% in 2018. Transactions conducted physically via branches, ATMs and IVR now account for only 6%, highlighting the effective execution of the bank's digital transformation strategy.

Al Rajhi Bank's mobile and internet banking platforms were entirely revamped in record time inline with the BOTF strategy to further simplify customer journeys, growing in transactions and driving self-service, cementing Al Rajhi as the preferred digital bank of customers. By the end of the reporting period, the Al Rajhi Bank mobile app surpassed 280 million logins per month – a substantial increase with 50% of these logins secured through mobile PIN (MPIN), a remarkable 300% growth compared to 2020.

Customer Interactions were enhanced with the expansion of real time personalised data driven marketing capabilities during the year in review, which allowed the Bank to engage with more than 10 million customers across various channels, delivering over 149 million notifications and supporting 235 Live Use Cases, a significant achievement underscoring the IT Department's dedication to providing highly responsive and personalised customer services.

The year 2023 marked the successful completion of the roll-out of new lending systems – Temenos and Newgen – at all Al Rajhi Bank branches across the Kingdom for personal finance products. This resulted in the migration of over 7,000 users, the disbursement of 115,000+ finance transactions, and over SAR 12 Bn. in sales. The success of this digital transformation is being extended to Auto, Mortgage and other products as at the end of the reporting year.

New financing systems were also introduced for Point of Sale (POS), Fleet, Business Instalment Financing (BIF), e-Commerce financing, as well as for EIRAD credit facilities, Invoicing Financing, and Payroll. The new platforms continued to deliver great results; over 10,000 POS contracts

have thus far been disbursed, with more than 756 BIF contracts that have been disbursed, with a significant growth in both fleet financing and e-Commerce sales.

The Corporate Banking Group too, initiated a program during the year in review to decommission legacy systems and consolidate corporate banking lending functionality into the Lending platforms Temenos and Newgen, further streamlining processes and enhancing services for corporate clients.

A number of key systems and their infrastructure upgrades were carried out by the IT Department during the year in review; a number of Oracle upgrades were carried out including Oracle Business Interface migration to Oracle Cloud Infrastructure (OCI) with over 40 apps migrated to the Al Rajhi Bank Cloud, and Oracle Financial Services Analytical Systems (OFSA) data flow re-engineering; IBM Data Storage migration; Disaster Recovery (DR) network revamp to DR Switchover and Health Check Assessment Services with Private Cloud for the Bank's main DR sites; modernisation of ATMs with management and support with Base24; an upgrade of Enterprise Fraud Management software to strengthen the Bank's capabilities in detection and management of potential fraud; and CCTV enhancement with network infrastructure upgraded at 720 branches and 2719 ATMs across the Kingdom, to name a few major bank-wide improvements.

New systems and capabilities introduced by the IT Department during the reporting period included Enterprise Monitoring with Elastic Dynatrace, a revamp on supply chain finances with Qualco fintech solutions, remote underwriting with Blue World, the cloud-based payments hub, as well as the timely modernisation of the Enterprise Service Bus (ESB) for seamless integration of enterprise applications. A notable new capability that was introduced during the reporting period was the event-driven Enterprise Kafka data streaming platform, which has significantly improved the controlled data exchange among Al Rajhi subsidiaries in near real time.

A number of key automations implemented during the reporting period greatly improved the Bank's operational performance, including the automation of over 200 strategic and regulatory reports from across the Bank's data platforms, which streamlined the reporting process, ensuring accuracy and compliance while reducing manual effort. The integration of multiple Al Rajhi subsidiaries into a unified data lake facilitated cross-functional analytics and empowered various business use cases, which in turn unlocked new insights and opportunities for the Bank. Furthermore, the creation of a Network Operations Center (NOC) dashboard enabled 24/7 monitoring of real time personalised data driven marketing use cases, which not only enhanced the reliability of our services but also ensured swift issue resolution.

A number of performance updates were also carried out across various platforms and systems across the Bank, underscoring the IT Department's commitment to maintaining and enhancing the operational excellence of Al Rajhi's systems and infrastructure. These improvements have not only increased the Bank's operational capacity, but also contributed to improved user experiences and more efficient operations across the board.

Business continuity and crisis management

Throughout 2023, Al Rajhi Bank continued to augment and improve its Business Continuity Management System (BCMS), which has been a foundational pillar since the approval of the first business continuity policy at Al Rajhi in 2009.

Key Objectives of BCMS

- **Enabling a Responsive Mechanism:** To promptly minimise the impact of incidents
- **Strategic Alignment:** Ensuring that Al Rajhi Bank achieves its strategic objectives and effectively meets stakeholder expectations
- **Crisis Management:** Enabling the Bank to make timely decisions and efficiently manage adverse events and crises
- **Reputation Protection:** Safeguarding Al Rajhi Bank's reputation and credibility through effective crisis communication

- **Regulatory Compliance:** Ensuring Al Rajhi Bank complies with all applicable legal and regulatory requirements
- **Cultural Embedment:** Embedding business continuity in Al Rajhi Bank's corporate culture through effective awareness, training, and regular exercises.

During the year in preview, Al Rajhi Bank focused on enhancing roles, tasks, responsibilities, and authority to increase resiliency in the face of potential and/or unprecedented disruptions. The Bank also extended its efforts to standardise business continuity practices across its subsidiary companies, providing them with necessary support and mastered framework.

All BCM reports including business impact analyses (BIAs), threat risk assessments (TRAs), and business continuity plans (BCPs) transitioned from traditional periodic reviews to real-time information. These were updated throughout the year to reflect significant changes affecting continuity plans. A periodic review is conducted to ensure no more than 12 months pass without development.

Most notably, Al Rajhi Bank enhanced its crisis management and response plans in 2023 by establishing a Crisis Communications Team, thereby strengthening internal and external communication during crises. Various response teams were developed at different levels to support the team in making timely decisions. Additionally, the BCM Department received a satisfactory evaluation from the Internal Audit Department and continued to comply with the ISO 22301 standard.

Technical investments and infrastructure improvements continued during the year in review have positively impacted the Bank's Recovery Time Objectives (RTOs) for products and services. Further improvements are expected to continue once the on-going infrastructure projects are successfully completed.

Al Rajhi Bank conducted a comprehensive testing program in 2023, including tests of employee relocation, cybersecurity systems, and various technical tests across the Bank as well as its subsidiaries to observe the Group's responsiveness and employee readiness to

various types of business disruption scenarios. A surprise test, initiated by SAMA, involved a week-long failover from the main data centre to the disaster recovery centre. The tests included advanced scenarios and were conducted under a robust governance framework.

The Bank continued its efforts to evaluate business continuity capabilities of critical suppliers, resulting in a strong database for supplier compliance. Suppliers were actively involved in testing during the reporting period, with continuity requirements documented in their contracts, backed by acknowledgment of their proven ability to meet these requirements.

Providing business continuity training across all levels of operation remained a top priority at Al Rajhi Bank. This included simulations for members of the crisis management team, one-on-one awareness sessions for new team members, workshops for response teams, and regular awareness messages disseminated among all employees. E-Learning materials were made mandatory for new employees within their first three months of employment. A significant number of employees also obtained professional certificates in business continuity.

Procurement

GRI 204-1

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

The Procurement function continued to support the competitive positioning of the Al Rajhi Bank by maximising the quality of goods and services acquired and ensuring the best possible value is achieved, whilst strengthening mutually beneficial relationships with the best vendors to acquire goods and services in a timely manner, and mitigating supply risks wherever possible.

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Procurement performance for 2023

Savings for 2023:

SAR 170.5 Mn.

Number of bids/tenders:

112

Number of Purchase Orders (PO) issued:

1,463

SLA Delivery Rate of Issued POs:

>97%

Number of Blanket Purchase Agreements (BPA) released:

17,880

Number of Contracts issued:

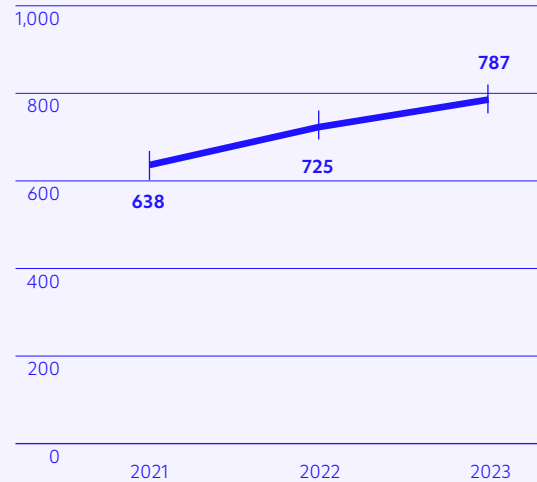
201

Notably, Procurement extended support by being an effective member of Risk Task Force through the initiation of emergency tendering procedures for the Risk Projects portfolio. First batch of 9 projects out of 31 that have been finalised successfully through requests for quote (RFQ) procedures, with total Cost Avoidance amounting to SAR 10 Mn. during the first year (2022?). Currently, Procurement is managing and finalising the awarding procedure of the second batch of projects with 11 requests for proposals (RFP) and 5 RFQs, totaling a Cost Avoidance of SAR 60 Mn.

The Online Procurement Portal continued to register vendors during the reporting period, with 66 vendors registering during 2023, to take the total of active vendors on the portal up to 787 as at the end of the year.

Active vendors on online procurement portal

Nos.



The Bank's Procurement Policy aligns with multiple ethical and industry standards, and are highly compliant with national regulatory requirements, enabling the procurement operation to face challenges arising from vendor negotiations to late sourcing requests. The Bank also prioritizes sourcing from local vendors to support the development of local businesses and communities, with 96.5% of all vendor payments being made in local currency.

The Procurement Department continued to support the Bank and its subsidiaries with their purchasing processes, supporting subsidiaries with on-the-job training for employees to ensure best practices in procurement, including in vendor engagement.

Training and development

GRI 404-2

The Shared Services Group facilitated 93 training and development sessions, addressing various technological capabilities and competencies for employees across all levels within Al Rajhi Bank

and its subsidiaries. This initiative aimed to tackle identified skill gaps comprehensively. A total of 230 employees participated in these courses during the reporting period, with 159 unique users benefiting from the tailored training programs.

The cumulative sessions included a total of 40 distinct courses, with some of them outlined below. These courses were conducted in multiple sessions to accommodate varying audience sizes and trainee numbers.

Focus Area	Description	Number of Courses
Technical	Technical skill development for employees to stay up-to-date with the latest technologies and tools utilised by the Bank	14
Banking	Insights into the banking domain to improve industry-specific knowledge	7
Compliance, Regulatory and Risk	To enhance the understanding of critical aspects of compliance, regulatory requirements, and risk management	7
Induction	Designed for onboarding new employees, providing a comprehensive introduction to the organisation.	2
Management	Tailored to improve managerial skills and leadership competencies.	7
Self-Development	Empowering individuals to enhance their personal and professional development.	3

Future outlook

With the successful execution of the Bank of the Future (BOTF) strategy cycle, the IT Department will continue its mandate to enhance the technology systems and infrastructure of the Bank, ensuring Al Rajhi remains future-ready for any potential disruptions. Cloud migration will continue into 2024, with other emerging technologies and tools tested and leveraged as necessary to enrich the Bank's digital experience, while strengthening its capacities and capabilities in Open Banking.

In 2024, Al Rajhi Bank will focus on automation and integration to keep pace with business growth and accommodate fundamental changes required for stronger business

continuity. Automation will reduce manual intervention, ensuring greater data accuracy. Dependency mapping will become more sophisticated, providing decision-makers with real-time information. These initiatives aim to bolster the Bank's resilience in a rapidly changing business landscape.

Tanfeeth will continue to execute its "RISE" strategy, to expand its service offering. The Procurement function will continue to support the Bank as a true value creator, and a trusted, transparent and strategic partner with a clear focus on achieving the Bank's overall objectives.

digital footprint and technology transformation

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

As one of the four key pillars of the Bank of the Future (BOTF) Strategy, technology transformation continued to play a crucial role in Al Rajhi Bank's overall progress and performance during the year in review. The Bank further deepened customer satisfaction and enriched customer experience with technology, convenience and accessibility, enabling customers to perform financial transactions from anywhere at any time, based on their evolving needs.

Al Rajhi Bank closed the year ranked number one in digital banking with an impressive Net Promoter Score (NPS) of 79 at the close of 2023, demonstrating the Bank's resolute commitment to enhance its digital capabilities and provide a superior customer experience. The Bank's Retail Banking App continued its evolution and standing as one of the Kingdom's most trusted and utilised Mobile Apps, achieving a stellar 4.7-star average rating from a five-star scale on App Store, based on over 3 million ratings. As at the end of the year, 80% of all active Al Rajhi Banking customers were utilising the Bank's Digital channels for their banking needs.

With 2023 marking the final phase of the BOTF Strategy, the Bank focused on achieving several more ambitious digitization objectives during the year in review; key among these was to leverage the Bank's accumulated wealth of digital intelligence to provide highly personalised solutions to customers while also optimising cross-selling opportunities within the Bank as well as across the Group. A more sector-focused objective was to provide more digital solutions to the Kingdom's growing MSME Segment, thereby improving Al Rajhi Bank's standing as the sector's Bank of choice.

Improved agility and efficiencies

Al Rajhi Bank had introduced the 'One Minute Approach' at the onset of the BOTF Strategy, enabling high-speed transactions and services in under a minute to enhance the customer experience. In 2023, the Bank continued to improve on this 'One Minute Approach' with a number of new features; this included introducing a Mobile PIN authentication and Biometric Login via FaceID; the SIRI voice command service to execute bill payments, transfers and card top-ups; intelligent fund transfers or suggestive fund transfers based on individual customer behavioural patterns; and the ability to avail pending actions or transactions on the customer's home screen prior to finalising transactions.

In 2023, Al Rajhi Bank also continued to build on the success of its Branchless Banking initiative by delivering new features to enable more branch services digitally, and further simplify digital customer journeys. The new services launched during the year in review include the QR Cash feature for cardless cash withdrawals, feature to correct wrong transfer, to request for emergency travel cash, to change debit card PIN, special needs accessibility, and a feature for Family Finance Management by assigning specific tasks to dependents.

Enhanced digital solutions for retail and corporate banking

During 2023, a number of new technologies and tools were introduced to upgrade and further enhance digital solutions across both retail and corporate banking platforms. Working processes across both web portals and mobile apps were optimised through agile methodologies, closely collaborating with project and product



digital footprint and technology transformation

stakeholders from across the Bank's business units to ensure quality benchmarks alongside timelines and budgets are diligently met.

Retail Banking saw an increased demand in digitalisation with over 300 new or enhanced digital product and service deliveries in 2023. A number of new products and services for Retail customers were made available only via digital channels during the year in review; this included Personal Finance Management (PFM), 1V1 rewards promotion, SIRI voice command service as well Graduate School Financing facility. The Bank collaborated with multiple internal departments

to delivering strategic projects such as the revision of SMS templates to resulting in cost savings, while also collaborating with subsidiaries for cross-selling opportunities such as the Smart Investment solution with Al Rajhi Capital. All efforts resulted in 95% of new Retail Customers in 2023 onboarding through digital channels.

On the Corporate front, over 200 digitization initiatives were launched during the review period. This, together with a timely revamp of the eBusiness Portal as well as the eBusiness Mobile App in 2023, resulted in a significant 23% YoY increase in the digital onboarding of Corporate clients.

Al Rajhi Bank recorded significant year-on-year growth across Digital Platforms for 2023

Retail Banking



- 298% growth in Retail Accounts opened online
- 15% of all retail financing initiated through digital channels
- 21% increase in Personal Finance, with around 60% of all Personal Financing was executed through digital channels
- 500% improvement in Home Finance
- 168% Card Growth and 103% increase in Card Issuance
- 316% increase in Mutual Funds
- 544% increase in Motor Takaful Insurance
- 800% increase in Awaheed Investment Accounts
- 645% growth in Digital Account Liabilities
- 95% new Retail customers onboarded online

Corporate Banking



- 63% growth in eBusiness Accounts opened online
- 184% growth in SME Accounts opened online
- 2x increase in Digital Accounts opened during the year
- 5M average monthly login volume
- 86% of new Corporate customers onboarded online
- 547% growth in Digital Account Liabilities
- 69% increase in eBusiness active customers
- 70% increase in eBusiness from internal transfer of customers

With fully digitalised and simplified card request applications, the Bank saw a significant YoY increase in cards issued through digital channels in 2023; a 102% YoY increase in revolving cards, a 38% increase in prepaid cards, and a remarkable 267% increase in charge cards was recorded. From the total credit and charge cards issued by the Bank during the year in review, 27% was requested online. There was a 60% recorded YoY increase in Debit Cards issued through digital channels during the reporting period.



digital footprint and technology transformation

Overview

Context

● **Business in Perspective**

ESG Report

Corporate Governance

Financial Statements

Supplementary

Drawing from strengths to overcome challenges

During the year in review, Al Rajhi Bank alongside other banking and financial institutions in Saudi Arabia sought to comply with new, stringent anti-financial fraud regulations set by SAMA, as the need to safeguard sensitive customer data and digital services becomes paramount each year. Having revamped the Bank's Anti-Fraud Function during the previous financial year to globally benchmarked standards that also comply with SAMA's mandated Counter-Fraud Framework (CFF), Al Rajhi Bank was able to ensure that the anti-fraud controls contributed to further enhancing the digital customer experience.

With Open Banking redefining Saudi Arabia's banking landscape by creating a more conducive environment for innovation by fintechs, the threat posed by such new market entrants has driven a new wave of innovation and digital transformation across Al Rajhi Bank, delivering new, innovative and high-performing digital banking solutions to market faster and ahead of potential competition.

A comprehensive marketing approach

Given the rapid pace of digitization of its products and services over the past few years – further accelerated during the ongoing BOTF Strategy Cycle – Al Rajhi Bank wished to ensure consumers were made aware of the advantages and benefits of the Al Rajhi digital banking platforms. This led to a comprehensive, multi-faceted marketing strategy launched by the Bank in 2023 to promote its digital banking offerings to a growing market across the Kingdom.

The marketing campaign emphasised:

- **Convenience and security**

Providing 24/7 access to digital banking services enhanced with multi-layered security features including biometric authentication and fraud protection.

- **Personalisation**

Leveraging data and analytics to personalise its digital banking experience for customers, offering intelligent, tailored recommendations, cross-sell and promotional offerings.

- **Innovation**

Emphasising how digital technologies are driving innovation across Al Rajhi Bank through campaigns that highlight innovative, upgraded and improved features and services

- **Educating customers**

Launching a series of educational campaigns to help customers learn more about its digital platform and its usability, and a series of fun, engaging social media videos explaining the benefits of digital banking to extend the Bank's reach beyond the digital savvy consumer

- **Influencer marketing**

Collaborating with social media influencers to share their personal experience in using Al Rajhi Bank's digital banking channels

- **Rewards and Incentives:**

Rewarding customers for using Al Rajhi Bank's digital platform through the Group's makafaa loyalty programme

To make the results of the Marketing Campaign more impactful with continued user engagement, the notification engine was enhanced by adding deep links and images to notifications, redirecting users directly to target offers.

Awards and recognition

Evidencing the success of the Bank's digitization drive, are a number of prestigious local and international awards that the Bank was recognised with during the reporting period:

- Best Digital Bank, Saudi Arabia 2023 by The Digital Banker
- Best Digital Banking Services, Saudi Arabia 2023 at the Global Banking & Finance Awards
- The EDT Digital Bank, Saudi Arabia 2023 at the Investor Awards
- Best corporate and institutional Digital Banks, Saudi Arabia 2023 by Global Finance
- Best Mobile Banking Application and UX, Saudi Arabia 2023 by Global Business Magazine
- Best Digital Banking Services, Saudi Arabia 2023 at the Global Economics Awards
- Best Trade Islamic Finance Bank in Saudi Arabia 2023 by Saudi Trade Finance Summit
- KSA Customers choice Trade Finance Bank in Saudi Arabia 2023 by Saudi Trade Finance Summit
- KSA Best Trade Digitized Bank in Saudi Arabia 2023 by Saudi Trade Finance Summit

Future outlook

As digitization and technology transformation continues to revolutionise the banking sector around the world, Al Rajhi Bank will continue to embrace new and emerging technologies to deliver innovative, highly-personalised and industry-defining financial solutions. The Bank has a number of initiatives that have been identified for implementation in the immediate future, key among which is the plan to establish a 'Digital and Data Centre of Expertise' to explore and apply best-in-class capabilities and technologies across the Bank and its subsidiaries. The Bank will also explore data-backed customer journeys, and leverage Group synergies to deliver simplified B2C and B2B offerings through digitally optimised journeys. Expanding the coverage and scope of real-time communication across the Group leading to improved fraud detection is also an immediate priority for the Bank. Data insights will play a crucial role in the continued digital transformation of Al Rajhi

Bank, with Data Analytics, Generative Artificial Intelligence (AI), Machine Learning and other emerging technologies utilised to maximise value created from accumulated customer data. The Bank will also continue to support the growth of the Kingdom's MSME Sector by providing more technologically enhanced services including a Cloud Accounting Solution.

Al Rajhi Bank will look to leverage the Kingdom's fledgling Open Banking ecosystem to create value through new partnerships and segment propositions, fast adapting to the Kingdom's rapidly evolving operating environment and diversifying economy.

The Bank is looking at 'Segment Bundling' in order to digitize a centralised order carrier that acts as a 'bundle order book' to bundle products from across the Al Rajhi Bank and its subsidiaries.

sharia group

Overview
Context

- **Business in Perspective**
- ESG Report
- Corporate Governance
- Financial Statements
- Supplementary

Each year, the Islamic banking sector continues to acquire increasing proportions of the assets of the global Islamic services industry in terms of assets, financing and deposits, and the Islamic capital market sector also acquires growing proportions of the assets of the global Islamic financial services industry.

Being a global leader in the world of Islamic banking; and following the successful closure of two SAR Sukuk issuances in 2022, the year 2023 witnessed Al Rajhi Bank's successful launch of its first five-year USD sustainable Sukuk worth USD 1 Bn., with an annual return rate of 4.75%.

Since its establishment more than 60 years ago, Al Rajhi Bank adheres to the principles of Islamic Sharia across all its business activities. It is also considered one of the first banks to implement Sharia governance through the General Assembly's adoption of the "Sharia Board Regulations" in 1999 and its following updates. This practice remains strengthened by the "Sharia Governance Framework for Local Banks" issued by the Central Bank, which represents direct support for Al Rajhi Bank's view of Islamic banking.

Proud of the pioneering role of Al Rajhi Bank as a landmark national financial institution, the Sharia Group has continued to fulfil its responsibility, ensuring the Bank's compliance with the principles of Islamic Sharia in all its operations, products and services, across all the departments as well as the Bank's subsidiaries both in and outside the Kingdom. These functions are conducted through the Sharia Board Secretariat and Sharia supervision departments.

① – Sharia Board Secretariat Department

This department, staffed with legal consultants and specialists, is concerned with studying and analysing all contracts, agreements and banking products. It prepares all the reports to be presented to the Sharia Board. The department then communicates the Sharia Board's decisions across the Bank's departments and divisions, in addition to providing related guidance and recommendations.

② – Sharia Audit Department

It supervises all the Bank's transactions to ensure full compliance with the decisions and recommendations of the Sharia Board regarding contracts, agreements and products. In addition, the department is responsible for conducting Sharia-compliance audits on the Bank's activities through automated systems, programs and field visits. Such supervision ensures that there are no unauthorised products, contracts, or models; and that employees understand the Sharia Board's decisions. The team is also responsible for developing and reviewing auditing standards issued by the Sharia Board.

Main Activities carried out by Sharia Group in 2023 include:

- Holding 33 meetings of the Sharia Board, during which the group discussed more than 280 issues related to the following topics:
 - Banking products
 - Investment and financing agreements
 - Contracts
 - Banking forms

- Issuing 260 decisions by the Sharia Board addressed to the Bank and its subsidiaries.
- The Sharia Group conducted Sharia awareness campaigns for the Bank's employees, customers and those interested in Islamic banking, through:
 - Holding 16 training courses and workshops for employees of the branches, direct sales and "Tahweel Al Rajhi" in various regions of the Kingdom; regarding products, services and various fields of Islamic banking.
 - Responding to more than 700 mail and telephone inquiries.
 - Sending 12 awareness messages to the Bank's employees about the Sharia principles in banking and the Sharia policy of the Bank.
 - Carrying out supervisory and awareness visits to more than 150 Bank locations, including branches, financing halls, and sales outlets in various regions nationwide.
 - Training undergraduate students from Sharia colleges in collaboration with Al Rajhi Academy.
 - Providing instructional support to researchers in the field of Islamic banking.
 - Developing and updating the Sharia Group's website, to include clarifications of the Sharia provisions related to various products.
 - Preparing, printing, and distributing of specialised academic theses by experts and specialists in the field of Islamic banking and finance.
 - Printing 2 books and issuing 20 publications to be distributed to researchers and scholars, and in commercial and public libraries.
 - Representing the Bank in the meetings of the Islamic Banking Committee at the Saudi Central Bank.
 - Participating in specialised seminars and forums of Islamic jurisprudence.

Future outlook

Islamic banking is expected to achieve further progress and growth, through adapting to global changes and offering new products that keep pace with various aspirations. At the same time, Islamic banking awaits many challenges related to new technologies, digitization, and artificial intelligence, in addition to climate and environmental issues.

The Sharia Group will continue supporting the Bank's efforts to overcome these challenges, with further development and innovation, adopting modern technology, providing innovative solutions and products, adapting to the changing market conditions, and providing outstanding services to all stakeholders.

The Sharia Group will continue to provide regulatory support, studies and research needed to develop Al Rajhi Bank's products and services.

Anchored to Sharia principles, Al Rajhi Bank continued to be compatible with evolving ESG considerations, and the broader objectives of sustainable finance in 2023.

144



ESG report

145



	SAR 10 Bn. out of total syndicated amount of SAR 11.6 Bn. taken from USD-syndicated green loans	SAR +100 Mn. in donations in 2023	6 number of key social projects	ISO/DIS 37301:2020 Compliance Management Systems	
	Investing SAR 16 Mn. in Solar installations across 61 Al Rajhi properties, reducing annual energy costs by SAR 3 Mn.	SAR 1.9 Bn. Zakat paid	Contributing SAR 100 Mn. together with clients for Jood Eskin housing project	ISO 22301:2019 Business Continuity Management	
SAR 808 Bn. Total Assets	Commitment to financing clean energy projects over the last 3 years, enabling the generation of 2,100MW total power	SAR 3.53 Bn. in salaries and benefits paid	Successfully completing 54 of 91 kidney transplants for patients on Shifa Platform	260 Sharia Board Resolutions in 2023	12% growth in female employees in 2023
SAR 16.62 Bn. Net Profit after Zakat	ISO Green Certification for Al Rajhi Tower with Building Management Systems reducing carbon footprint and over SAR 2 Mn. in utilities	SAR 31.3 Bn. in financing for SMEs	Approving 5 Graduate Development Programs with a total intake of 140 graduates in 2023	137 Policies & Frameworks	30% of female employees at Group Level
0% financing exposure in Tobacco, Alcohol & Gambling	94:6 digital to manual ratio	90% of sourcing expenditure directed to local suppliers	Clocking 600,000+ total training hours	5 Independent Directors out of 11 Board Members	+100% growth in female customers since 2015
Financial Sustainability	Environmental	Social		Governance	Gender Diversity

Al Rajhi Bank's approach to ESG

Al Rajhi Bank's approach to ESG

As environmental, social, and governance (ESG) factors become increasingly important for financial institutions and their business strategies, the year in review saw Al Rajhi Bank continue to identify, respond to and explore ESG opportunities, while integrating ESG risks into its internal control frameworks and business plans.

Al Rajhi Bank remained committed to providing Sharia-compliant, future-ready banking services during the year in review; Islamic banking has historically been compatible with evolving ESG considerations and the broader objectives of sustainable finance, protecting the Bank from investments that are at 'high risk' of failing to meet ESG criteria. Consequently, in over five decades of strong Sharia-compliant operations, environmental, social and governance priorities have organically become an integral part of Al Rajhi Bank's very foundations. While the nature of banking operations directed more focus towards the Governance and Social pillars from the onset, a rapidly evolving operating environment drove Al Rajhi Bank to work closely with its regulator in defining agreed upon corrective measures to steadily grow its Environmental pillar, and explore untapped ESG opportunities.

Anchored to Sharia principles, Al Rajhi Bank performs a culturally distinct form of ethical investing, choosing not to participate in any investments that fail to meet the guidelines, including alcohol, gambling and tobacco products. Complementing its Sharia-based ESG orientation, Al Rajhi Bank has adopted a sustainable model, delivering a disciplined and well-managed financial institution exercising sound governance practices, and strengthening its position as the World's Leading Islamic Bank in market cap with USD 92.3 Bn. as at the end of the reporting period.

The Bank continued to build its reputation as a leader in financial conduct and sustainability, identifying and working on high-impact activities aligned with its Bank of the Future (BOTF) strategy, while also improving third-party ESG ratings, including a 'BBB' ESG rating from MSCI in 2023.

With an ESG vision aligned with the overall corporate strategy, Al Rajhi Bank aims to align with the ESG Disclosure Guidelines issued by the Saudi Exchange and Saudi Central Bank, creating a responsible financial ecosystem with transparency and integrity at its heart. The Bank also continues contributing towards managing climate change in line with the Kingdom's Vision 2030 plans to Net Zero, and becoming more ESG-driven throughout our operations and business risk management, while identifying areas for ESG investment opportunities.

The ESG Vision of Al Rajhi Bank

"Realising a sustainable future by pioneering a responsible financial ecosystem for customers, employees, society and the environment".

Al Rajhi Bank re-evaluated its sustainability outlook back in 2022, identifying quantitative and time-bound ESG objectives including the issuance of sustainable fund and the increase of the female workforce. These objectives, also aligned to overall business KPIs in order to drive their successful delivery, were strategically spread across four key ESG Pillars:

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

The first pillar demonstrates Al Rajhi Bank's commitment as a leader in the financial sector to realise the Kingdom's Vision 2030 objectives by supporting the development and diversification of the Saudi economy. This includes the Bank's increased focus on the private sector and SMEs to improve their contribution to the GDP, and its expanding product and service portfolio to help meet multiple Vision 2030 targets. The Bank's focus on financing green energy projects to achieve the Kingdom's Net Zero objectives as well as its own investments in renewable energy and resource conservation is highlighted under this pillar.

The second pillar focuses on a Digital Future; the Bank continues to invest in creating a digital banking ecosystem supported by the best in class technology and infrastructure, while driving financial inclusion through digital transformation. Al Rajhi Bank has achieved an unrivalled industry standing as a digital leader in customer insight as well as in nurturing future-ready digital talent (More insight to the Bank's digital prowess can be found under the **digital footprint and technology transformation** chapter on pages 138 to 141 of this report).

As a Sharia-compliant financial institution, Al Rajhi Bank demonstrates exemplary financial conduct and good governance, which is reflected through the third ESG pillar. The Bank's unrelenting efforts to deliver the Kingdom's best customer experience that has garnered an industry-leading Net Promoter Score (NPS) of 76 as calculated by one of the Kingdom's well-reputed consultants falls under this pillar, alongside fair treatment, safety and security, as well as the Bank's benchmarked good governance practices.

The Bank's wide-ranging social development initiatives fall under the fourth ESG pillar – fostering ties with communities. Al Rajhi Bank continues to earn its social licence to operate across the Kingdom by enabling financial access, volunteering and giving back to the community, and empowering underserved segments.

ESG management and disclosure

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

External rating provider

MSCI

BBB Average

S&P Analytics

24

Fitch

3



Environmental

GRI 3-3

Climate change

Al Rajhi Bank continued to reduce its operational carbon footprint during 2023, creating awareness and exploring new avenues minimise natural resource consumption at organisational level, while also contributing at a national scale through sustainable financing.

Carbon footprint

The year in review saw Al Rajhi Bank proactively reducing its operational carbon footprint across the Bank and its subsidiaries; Tudor Real Estate – the real estate arm that also overlooks the property and facility management of the Al Rajhi Group – continued a series of initiatives to enhance power and energy efficiencies across Al Rajhi properties and subsidiaries.

Ongoing projects included air-conditioner and temperature control upgrades for energy saving, the introduction of power-down equipment, window film installation, and the adoption of LED lighting. Medium voltage distribution feeders were added to the Bank's Building Management System (BMS) for better energy monitoring and conservation. A number of initiatives were carried out at the Bank's new headquarters - the Al Rajhi Tower - including the utilisation of fresh water for chillers to improve energy efficiency in chillers and cooling systems, the monitoring of lighting distribution, and fresh air distribution at the Tower and the Operations Building.

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Heating, Ventilation and Air Conditioning

Installation of **2 Building Management Systems (BMS)** with intelligent controllers to manage overall energy consumption of devices

Fresh Air Distribution

A total of **11 Fresh Air Handling Units (FAHU)** and **53 Air Handling Units (AHU)** installed across HQ and Operations Building for better regulation and circulation of air within building structures, minimising the chance for overloading chillers, and reducing power consumption through better ventilation

Power-Down Equipment

Fixing **300 programmable timer switches** for automating the optimised utilisation of energy for lights to improve energy saving

Medium Voltage (MV) Distribution Feeders

A total of **11 MV feeders** with capacitor banks to regulate power across HQ and Operations Building, with **1.5MW of power generated from solar installations** as sustainable energy sources.

LED Lighting

Over 15,000 LED lights installed across Al Rajhi Bank HQ and 80 buildings belonging to the Bank network.

Cooling Systems

3 water cooling chillers utilising fresh water as cooling agent to improve chilled water temperature through condensing units installed in HQ

Light Distribution Monitoring

16 Control Battery Units (CBUs) and a network of **Motion Sensor Control Units** implemented across the HQ and Operations Building to avoid excessive power consumption

Window Film Installation of **7000m²** of thermal insulation for windows at HQ, Operations Building and 15 more Al Rajhi Bank Branches. Over **10,000 double-glazed tinted glass panels** were used for façade material to cut heat absorption in half, thereby reducing energy requirement for temperature control.

GRI 302-4

These strategic measures have resulted in an overall decrease of the Bank's operational carbon footprint, with an estimated savings of up to SAR 2.3 Mn. from the total annual energy bill compared to 2022, a significant year-on-year reduction in expenses.

The Bank also continued its own investments in renewable energy with more solar installations at Al Rajhi properties across the Kingdom, which is further elaborated under Renewable Energy Opportunities section on pages 138 to 141.

Financing environmental impact

GRI 201-2

Cognisant of the growing global concerns around climate change and the critical role of financial institutions in endorsing sustainable financing, Al Rajhi Bank continued to integrate and highlight ESG risk as a key evaluation criterion in its overall approval process to finance projects and/ or business during 2023.

The Bank actively engages with leading external environmental consultants for assessments of projects from an environmental (and social) perspective, and ensures that the projects meet internationally recognized environmental guidelines such as the Equator Principles and Green Loan Principles.

This commitment to sustainable financing has also strengthened Al Rajhi Bank's reputation as a financier that actively pursues green financing deals that are largely focused on meeting future energy needs of the Kingdom. This includes taking the responsibility of financier and advisor to clean energy projects such as green ammonia and hydrogen production assets currently being developed in the region. The Bank also continued to explore new financing and refinancing opportunities for renewable energy projects, contributing towards the ambitious targets of the Saudi Green Initiative to achieve an optimal energy mix with the goal of reducing carbon emissions.

During the three-year cycle of Al Rajhi's BOTF Strategy, the Bank identified and financed a number of large-scale, high-impact green energy projects across the Kingdom, to enable the generation of over 2,100 MW in cumulative power.

Project Name	Project Description	Deal Closing Year	Status
Jubail 3A Independent Water Plant (IWP)	A greenfield seawater reverse osmosis desalination project, which also includes a solar power station. Solar Power Capacity: 45MW	2020	Deal Closed
Rabigh Solar PV Independent Power Producer (IPP) Project	A solar PV plant located in the Rabigh Industrial City of Makkah Province. Solar Power Capacity: 300 MW	2021	Deal Closed
Sudair Solar PV Independent Power Producer (IPP) Project	First project under The Public Investment Fund's (PIF) renewable energy programme, this is the largest Solar IPP in the world at its inception. Solar Power Capacity: 1.5 GW	2021	Deal Closed
Helios Green Fuel Project by NEOM Green Hydrogen Company	The world's first and largest green hydrogen production facility Integrated Solar and Wind Power Capacity: 4GW	2023	Deal Closed

A Sustainable Finance Framework was launched by Al Rajhi Bank as a basis to issue Green, Social or Sustainable Sukuk, Loans and other sustainable financing Instruments, and obtained a Second Party Opinion (SPO) on the Framework, which concluded that it aligned with International Capital Market Association (ICMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA) principles. The Bank also remains aligned with the Green Bond Principles (GBP) and Sustainability Bond Guidelines (SBG) issued by ICMA, which recommends transparency and disclosure to promote integrity in developing the global Green Bond and Sustainability Bond markets respectively.

Having established its reputation as the first Islamic Bank in the world to raise a sustainable syndicated loan during the preceding financial year, Al Rajhi Bank also tapped the international debt capital market for the first time in 2023, with the debut issuance of a five-year sustainable sukuk of USD 1 Bn. The proceeds from the issuance will be used to enhance the Bank's liquidity and support its business growth, especially on the ESG financing goals aligned with the Vision 2030 targets set by the Kingdom of Saudi Arabia.

Following the issuance until full allocation, ARB will publish an Allocation Report and an Impact Report on an annual basis, detailing environmental and social benefits of the funded / eligible projects.

Al Rajhi Bank Malaysia (ARBM) upheld its membership with the Value-Based Intermediation (VBI) Community of Practitioners (CoP) of Malaysia, drafting an ESG Assessment checklist, with ESG classification required for all customer entries in the corporate banking book. ESG Considerations were also integrated into the onboarding questionnaire. A **"Customer Declaration Form"** was drafted and introduced for all Corporate and Investment Banking, Commercial and SME customers to complete to indicate that the company does not partake in any form of prohibited activities, or their business activity does not adversely impact the Bank's ESG key components.

Sectoral guidelines were incorporated into ARBM's existing evaluation, assessment and financing processes. The overseas branch now requires Malaysian Sustainable Palm Oil (MSPO) or Roundtable on Sustainable Palm Oil (RSPO) certification for all clients requesting financing for palm oil plantations and crude palm oil-related activities.

Additionally, the Procuring System of ARBM has been enhanced to automatically score corporate customers in terms of their ESG profile, emissions, and climate adjusted probability of defaults. Furthermore, the overseas branch developed ESG and Climate related Key Risk Indicators, to be included as part of its regular reporting cycles.

ARBM was also a sponsor of the inaugural National Climate Governance Summit of Malaysia 2023 presented by Climate Governance Malaysia, which aimed to provide a platform for SMEs to enhance their knowledge and understanding of climate action and best practices to build resilient businesses.

Natural resources

Optimising natural resource consumption is a key contributor to Al Rajhi Bank's ESG agenda, with the Bank implementing multiple practices and initiatives to conserve natural resources while at the same time managing environmental impact from banking operations.

Land use and biodiversity

GRI 304-1

In 2023, the Bank continued to manage any adverse impacts of its operations on biodiversity; the Bank's property management arm, Tudor continued to take necessary measures and be mindful of the natural ecosystems in the use of land for new or redesigned bank branches during the reporting period.

Water stress

GRI 303-2

A number of initiatives were implemented by the Bank for optimised water consumption and management due to its status as a highly scarce resource in the region; this included the installation of ultrasonic water flow metres as part of the BMS, to strictly monitor and control water utilisation. The Reverse Osmosis system installed at the Al Rajhi Tower was upgraded during the year, to enable the utilisation of purified wastewater for irrigation purposes for landscaping.

Material sourcing

GRI 306-3

With over 200,000 daily transactions, Al Rajhi Bank runs a largely paperless operation powered by the latest technology, in its commitment to "Creating a Digital Future". Notably, 95% of all new current accounts opened during the year were done so digitally, while around 60% of personal financing was also carried out across end-to-end digital channels.

Pollution and waste

GRI 306-2, 306-3

Al Rajhi Bank generates a volume of approximately 10,000 cubic metres of waste annually, and ensures waste management best practices are followed regarding the reuse, recycling, storage, treatment of the waste collected. The waste management function has been subcontracted to a vendor registered with the Riyadh Municipality, who through the formalisation of their agreement is committed to upholding waste management standards required by the municipality.

Electronic waste

GRI 306-4

In 2023, Al Rajhi Bank continued to voluntarily adhere to strict recycling practices; In addition to standard disposals, the Bank donated electronic devices such as laptops, printers and full PC setups, with plans underway to develop policy to activate an annual donation of electronics.

Environmental opportunities

GRI 201-2

Environmental financing is gaining momentum within the GCC region, with neighbouring countries such as the UAE and Oman also initiating renewable energy programmes, while continuing to diversify the economy from the conventional hydrocarbon base. The Kingdom's Energy Ministry too, along with the Public Investment Fund (PIF) are aiming to drive renewable sources to account for 50% of electricity production in KSA by 2030, displacing liquid fuels with natural gas accounting for the remaining 50%.

Opportunities in renewable energy

Having financed multiple large-scale renewable energy projects over the years as elaborated in the **Financing Environmental Impact** on page 151, the Bank focused on its own efforts to develop renewable power generation capacities, as Tudor successfully entered the third year of the solar installation project, with 61 different Al Rajhi properties across the Kingdom equipped with solar panels at the close of 2023. The solar installations costing SAR 16 Mn., are projected to reduce energy costs by approximately SAR 3 Mn. per year for the Al Rajhi Group, a long-term, high-impact investment in green energy by Al Rajhi to reduce the Group's operational carbon footprint.

Opportunities in cleaner hydrocarbon energy

The year in review also saw Al Rajhi Bank becoming the sole financial advisor to the first integrated green steel project in the MENA region at an estimated USD 4.5 Bn., with construction planned for 2024. The proposed technology configuration for the project would result in one of the lowest carbon emission levels for a mega steel complex, and a plan is being developed to further reduce carbon emissions through Carbon Capture Utilisation Sequestration (CCUS) and renewable energy.

The Bank has also ventured into financing cleaner hydrocarbon energy projects and initiatives, even though they are a relatively new vertical in the GCC region. At the end of the reporting period, Al Rajhi Bank had initiated the evaluation process of a tail gas treatment project for the national petroleum company Saudi Aramco, which looks to reduce sulphur dioxide emissions from its gas plants.



Social

The year 2023 saw Al Rajhi Bank's continued efforts in cultivating rewarding relationships with all stakeholders across the Bank's sphere of influence.

Human capital

Labour management

GRI 2-7

Al Rajhi Bank abides by all applicable Saudi labour laws and regulations, with the Bank revamping and updating internal bylaws in 2023 to allow more flexibility to employees, and greater clarity across their roles, responsibilities and expectations.

The Bank also recently set up a comprehensive behaviour and ethical framework aimed at providing guidelines for all Al Rajhi Bank staff to follow in their role as brand ambassadors of the Bank. Employees were educated on the consequences of violating the guidelines, including disciplinary action such as warnings and suspension for failure to adhere to the behavioural framework, or the potential for legal / disciplinary action, or termination of employment in cases of severe non-compliance.

Coupled with this framework, all employees were required to acquaint themselves with the Al Rajhi Bank Code of Conduct in 2023, which covered a wide range of topics and

mandatory considerations including human rights, non-discrimination, fair dealing, anti-bribery, fraud, embezzlement, theft, money laundering, financing terrorism, insider trading, harassment or extortion, unethical behaviour of any colleague(s) such as breach of honesty and integrity.

With the understanding that employees may not always feel comfortable to raise the above concerns through conventional, open communication channels, the Bank continues to provide secure and innovative whistle-blowing channels fortified by an effective Whistle-Blowing Policy, empowering them to fearlessly and safely speak up, raise concerns confidentially and, if preferred, anonymously, bring any discrepancies to the attention of the management and senior leadership.

Health and safety

GRI 403-3, 403-4, 403-5, 403-6

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

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

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

In 2023, the Bank's Human Resource Department together with the Medical Services Department initiated a multi-faceted approach towards promoting a strong culture of workplace health and safety. This approach comprised internal communications, online sessions as well as dedicated events to improve the collective employee knowledge and awareness of specific topics, medical conditions as well as physical activities and best practices to promote a well-balanced, healthy, active lifestyle. All programmes and initiatives were well received and commended by employees across the Al Rajhi Bank network.

Awareness through Internal Communications	Online Sessions	Events
- World Cancer Day - World Down Syndrome Day - World Asthma Day - Blood Pressure - World Heart Day - Child Vaccinations - Breast Cancer Month - World Diabetes Day	- Autism Awareness Session - Smoking and Blood Pressure Awareness Session - Diabetes Awareness Session - The Saudi Society for Attention Deficit Hyperactivity Disorder (Ishraq) Session	- Open Health day (Al Rajhi Tower/NRR) - Stay Fit (Weight Management competition) - Yoga session (Dedicated to Ladies) - First Aid Course - Breast Cancer Campaign - Seasonal Flu Campaign - Live Right Event (health/sport/awareness/services) - World Coeliac Disease Awareness Day - World Alzheimer's Month

The Bank ensures it remains fully compliant with new or revised rules and regulations pertaining to national OHS requirements. The in-house gyms at the Al Rajhi Tower and Operations Centre continue to be well-utilised by employees, with the Bank collaborating with external vendors of wellness and fitness businesses to offer special offers to Al Rajhi employees.

Human capital development

GRI 404-2

The Bank follows a structured talent management and succession practice with individual development plans for overall training and development, further strengthened by a market and performance driven compensation strategy. The Al Rajhi Bank Academy clocked in a total of 600,000+ training hours for the year 2023, delivering best in class leadership, banking, operational and technology certifications to

nurture a talent pool with required skills and knowledge to perform emerging and evolving job roles effectively. Please refer to the Learning and Development section from page 117 for more details.

Al Rajhi Bank continued its efforts to enhance organisational capability and understanding of ESG principles and practices in 2023; following the success and positive feedback received on the "Academy Talk Series" session on Sustainability and ESG, the Al Rajhi Bank School of Leadership and ESG, the Al Rajhi Bank School of Leadership – the leadership development arm of Al Rajhi Bank Academy – produced a video version of the training session with the intent of reaching a bigger audience with an easily accessible visual medium. The session presents pertinent ideas about ESG standards, which are playing a crucial role in the Bank's ability to function as a sustainable financing institution. This session clocked in a total of 111,000 training hours from the Bank's leadership from <seniority level> upwards.

ESG training sessions have been made mandatory for all employees, with confirmation required once they complete the sessions. Digitising content has enabled the ARB Academy to deliver ESG-related training and awareness sessions as part of its Leadership Development Agenda.

Supply chain labour standards

Al Rajhi Bank introduced an Online Procurement Portal in 2020 at the very onset of the BOTF Strategy, to increase transparency as well as to improve efficiencies, cost-savings and data-driven decision-making. The Portal was further enhanced with a number of upgrades. The Spend Dashboard was upgraded to provide accurate and customizable analytical reporting, generated by spend category, by individual or group of suppliers, or by timeline. The Procurement Transactions Dashboard provided a complete overview of all macro and micro levels of the

procurement process, including turnaround times, tenders, procurement service level agreements (SLAs) and Procurement Committee functions.

The portal also implemented the 'Clarity' feature - an enhancement that allowed the Bank to fully automate all functions of the Project Approval Committee; this includes sending out meeting agendas, member and project manager details, as well as high level views of projects. Clarity also allows the Committee to circulate projects status to members and finalise the minutes of meetings.

As part of the Bank's initiatives aimed at supporting local suppliers, 90% of the total procurement spend was directed towards locally-owned businesses in 2023. Local suppliers were encouraged to register on the Procurement Portal to further improve the statistics.

GRI 3-3. 204-1

	2023	2022	2021	2020	2019
Total number of suppliers engaged	301	340	384	335	332
Total procurement spending (SAR Bn.)	4.5	4.2	3.7	3.1	3.1
Total number of local suppliers engaged	205	263	285	263	261
Procurement spending on local suppliers (SAR Bn.)	4.1	4.0	3.4	2.9	2.9
Percentage of spending on local suppliers (%)	90	95	92	93	92

* Certain businesses are partially owned by females based on Memorandum of Association

Product liability

Privacy and data security

Data is considered a valuable asset at Al Rajhi Bank, one that plays a vital role in improving performance and productivity. With the intent of ensuring all applicable data standards are met, and recommended practices in Data Governance and Privacy are applied to not only increase compliance, but to effectively manage data and maximise its value, thereby enhancing customer privacy and experience. The oversight of data privacy at the Bank falls under the Chief Digital and Data Officer, while cybersecurity falls under the purview of the Chief Risk Officer at Al Rajhi Bank.

The Kingdom's first data protection law – the Personal Data Protection Law (PDPL) – was declared effective during the year in review by the Saudi Data and Artificial Intelligence Authority (SDAIA). Al Rajhi Bank worked closely with the National Data Management Office (NDMO) – the Kingdom's national data regulator – to set up personal data controls that are also in compliance with data privacy guidelines issued by SAMA, to regulate the collection, processing, storage and transfer of personal data of Al Rajhi Bank customers. The update on the Bank's Privacy Policy remains on schedule, powered by key achievements accomplished during the reporting period:

- A systematic process prepared to assess and evaluate the potential impact of data processing activity on an individual's privacy and data protection rights.
- Documenting the Bank's data processing activities, and creating a central repository of information regarding the processing of personal data.
- A new process prepared for any data breach where the personal information of customers has been compromised.

- Completion of assessment for data subject rights that the Bank undertakes to evaluate compliance as required by data protection regulations.

Al Rajhi Bank's Data Governance Policy was introduced during the previous year in review, and ensures privacy and protection that is aligned with regulatory requirements. The Bank's Data Governance Policy covers 14 Data Governance Domains:

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

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

The Bank employs dynamic defences via a number of countermeasures for the prevention, detection and response in an effort to proactively address current and emerging cybersecurity challenges. By applying the best cybersecurity standards recommended by national cybersecurity and financial sector regulators, the Bank has reinforced its current cybersecurity governance procedures and ensured the confidentiality, integrity, privacy, and availability of all business and technological processes.

To make sure that all of its business services are trustworthy and secure, the Bank continuously conducts cybersecurity assurance assessments on its systems, apps, and networks. Additionally, the Bank regularly engages recognised vendors in independent internal and external audits to confirm the efficiency of installed cybersecurity controls and compliance with national and international standards including the Payment Card Industry Data Security Standard (PCI DSS), SAMA, SWIFT, SARIE, and the Saudi National Cybersecurity Authority (NCA).

The Bank has a Security Operation Centre that is operational around-the-clock, 365 days a year, continuously monitoring and promptly addressing cybersecurity threats and attacks. Al Rajhi Bank continued to demonstrate resilience against cyberattacks in 2023 as a result of the implementation of such comprehensive cybersecurity measures, with no cybersecurity-related breaches or operational impact during the reporting period.

Social opportunities

GRI 203-1, 203-2, 413-1

Access to finance

As the largest Islamic bank in the world, Al Rajhi Bank lays claim to the most extensive network distribution in the Kingdom and the Middle East region, supported by 509 branches, 142 remittance centers, 4,552 ATMs, and 601,153 Point of Sale (POS) terminals to service customers and provide access to financial services. This widespread network of access points has resulted in Al Rajhi Bank also claiming the largest active customer base in the region, with over 15 million customers in total across the Kingdom.

The Bank's rapid adoption and scalability of digital infrastructure including virtual and mobile banking platforms, has also greatly contributed to the introduction of innovative approaches to increasing financial inclusion, especially with underserved demographics. Al Rajhi Bank continues to be the leading bank enabling the largest subsidy home ownership for Saudi Nationals with a mortgage market share of 41.3%, and contributing to achieving the Kingdom's Vision 2030 targets.

Al Rajhi Bank also promotes financial inclusion by equipping all branches to serve persons with disabilities, upgrading ATMs with disability access by introducing technologies such as voice assistance and sign language to support the blind and visually impaired, the deaf and hard-of-hearing, as well as persons with mobility impairment. A majority of Al Rajhi Bank branches have reserved disabled parking spaces with all branches ready to serve customers with disabilities. Accessibility to financial services was further improved during 2023 with the Bank updating its mobile app with locations of branches that service people with special needs via the help of a sign language interpreter - a project still in progress as at the close of 2023.

All such efforts carried out by Al Rajhi Bank also aligns with the Saudi Vision 2030 objective of supporting the disabled with tools and facilities to become more independent and be integrated into society.

In 2023, Al Rajhi Bank continued to grow its market share across the Small and Medium Enterprises (SMEs) sector in the Kingdom, providing a range of financial solutions through its dedicated SME Business Unit, aligned with the Kingdom's Vision 2030 objectives to increase SME contribution to the Saudi GDP. The Bank also serviced micro businesses through its dedicated Micro and Small Business (MSB) Unit, strongly encouraging entrepreneurial culture in the Kingdom with financial assistance.

The continued digitalisation of core banking platforms and automation of processes has also empowered this fast-growing customer base. Call Centres and dedicated channels for SME and MSB customers continue to strengthen the Bank's reputation as the Kingdom's leading bank for customer service. Please refer to the MSME Section on page 73 for more details.

Al Rajhi Bank also served specific credit needs of consumer segments that were outside the Bank's risk appetite through its fintech subsidiary Emkan Finance, increasing financial inclusion and simplifying access to microfinancing. Please refer to the Emkan Finance section in page 89 for more details. The Bank also introduced banking services to lower income labour workers, enabling them to transfer funds to their families through foreign remittance accounts.

The Corporate Social Responsibility (CSR) team together with the Marketing team executed a number of public service campaigns during the reporting period to increase financial literacy of varying demographics including an anti-fraud campaign for Hajj pilgrims, and the "Wise Banker" financial awareness workshop for university students at Prince Sultan University.

Access to healthcare

Al Rajhi Bank remained focused on supporting the healthcare sector through donations and philanthropic activities during 2023, working with the Ministry of Health as well as the independent civil Health Endowment Fund to contribute to medical facilities, treatments and general access to good healthcare.

In 2023, the Bank engaged in 6 projects, donating over SAR 100 Mn. across multiple healthcare-based sponsorships, initiatives and events, further strengthening the Bank's commitment to ensure access to healthcare for all Saudi nationals.

Among the major healthcare initiatives carried out by the Bank include:

- Donation of SAR 6 Mn. to purchase and equip two mobile blood vehicles in collaboration with the "Wareef Charity"
- Contribution of SAR 10 Mn. for the construction of the Al-Rajhi Bank Cardiac Catheterization Center at Al Rass General Hospital
- Contribution of SAR 13.5 Mn. to establish the Al-Rajhi Diabetes Center in Buraidah, Qassim, which would also serve as a model for community service through collaboration
- Bringing the total of successful kidney transplant operations at the close of 2023 to 54, reaching a significant milestone of surpassing the halfway mark of the broader community-focused initiative launched in 2021 in collaboration with Dr. Sulaiman Al Habib Hospital, to complete a total of 91 kidney transplants at a total cost of SAR 18 Mn.
- Bi-annual blood donation campaign organised by Al Rajhi Bank to promote blood donation and community service by employees
- Al Rajhi Bank Jordan (ARBJ) organised a blood donation campaign in cooperation with the Ministry of Health, while also contributing through sponsorships to various medical institutions and events such as the Jordan Medical Association, and the Medical Day Event presented by the Saudi Cultural Bureau in Jordan.

Other social opportunities

Aside from healthcare, Al Rajhi Bank also focuses heavily on education, housing and overall community development. Key CSR projects carried out across these verticals in 2023 include:

- The successful continuation of one of the Kingdom's largest educational and social initiatives – the Al Rajhi Bank Programme for Educational Orphans Care entered its second year of community service in 2023– with close to 100 male and female students studying qualitative specialisations to meet emerging market requirements, and formalising an agreement with the Adeid Association to strengthen the project and fully supervise the programme.
- Making history by participating in the largest online charitable subscription (Good Housing Charitable Subscription) according to the Guinness World Records for the "Jood Eskan" housing project in 2023 for families in need. A contribution of SAR 100 Mn. was made by the Bank together with its clients.
- National program campaign to reduce food loss and waste.
- Implementing a CSR platform at the Ministry of Human Resources and Social Development Registration.
- Participation in the Purple Saturday initiative organised by SAMA to provide offers and benefits for people with disabilities.
- Distributing 50 free ticket of Kidzania entertainment centre for Children with Disability Association in Jeddah centre.
- Al Rajhi Bank Malaysia (ARBM) donated over MYR 100,000 for a number of community initiatives including funds for earthquake victims of Turkiye as well as donations to orphanages and other families in need.
- Al Rajhi Bank Jordan (ARBJ), in cooperation with the "Royal Society for Nature Protection", planted 400 pine trees in the Dibeen forest to combat desertification and drought.
- The Al Rajhi Bank, along with its international branches in Malaysia and Kuwait, distributed meals to underprivileged families as part of Holy Ramadan activities across multiple geographies during the reporting period.
- ARBM provided financial assistance to Asnafs by distributing the ARBM employees' wakalah fund in the spirit of giving back to the community, with focus on autistic community members and Asnaf families in Kuala Lumpur for 2023.
- ARBM distributed employee zakat wakalah to provide financial assistance to 100 families via the Federal State Islamic Council in Malaysia.

Given Al Rajhi Bank's commitment towards community development and social philanthropy, the Bank was recognised and honoured with the **"Majmaah University Award"** for community service by His Highness, the Prince of the Riyadh region. Al Rajhi Bank also received the **"National Excellence Award in Localization Initiatives"** at the private sector level from His Highness, the Prince of Qassim region, for supporting the development of the localization sector in the Kingdom.

In order to encourage employee engagement with community development initiatives, and to promote a culture of volunteerism anchored to its founding Sharia principles, Al Rajhi Bank educates employees on its policy in place for availing 'Volunteer Leave'. While increasing employee morale, improving their soft skills, and enabling them to build a strong relationship with the communities in which the Bank operates through volunteerism, the special leave also strengthens Al Rajhi's brand value as a socially conscious employer, which also contributes towards attracting and retaining top talent.



Governance

Corporate governance

The governance framework at Al Rajhi Bank comprises the General Assembly, the Board of Directors, the Shariah Board, as well as five Board Committees, and Group Executive Management Committees of the first and second levels. For more information, please refer to the Corporate Governance Chapter from page 168 to 223.

In terms of Sustainability Governance - Al Rajhi has a dedicated ESG Committee that works to oversee the sustainability approach, agenda and integration of ESG in decision-making across the Bank. The responsibility for the oversight of the ESG Committee lies firmly with the Board of Directors. The Board therefore, through the ESG Committee, ensures relevant target-led ESG matters are incorporated into and aligned with the governance, business strategy, decision-making, and risk management aspects of the Bank, and disclosed through accountability reporting that meets the highest local regulatory standards.

The Board

Please refer to page 168 for detailed information on the Board of Directors.

Tax transparency and financial reporting

GRI 207-1, 207-2

For the year 2023, Al Rajhi Bank continued to comply with globally accepted regulations on tax transparency and the disclosure of its financial statements, publishing its interim condensed and expanded consolidated financial statements both quarterly and annually. The statements

are prepared in compliance with endorsed International Financial Reporting Standards (IFRS) as issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA), the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's by-laws. All standards, rules and regulations are consistently applied under the supervisory monitoring of the Saudi Central Bank (SAMA), to ensure proper disclosure and full financial reporting integrity has been met.

The Bank's financial reporting function is also regulated by the Capital Market Authority (CMA), which ensures required levels of transparency are met, and investor information sessions are conducted. Among such regulated best practices is the appointment of two external auditors, approved solely by the shareholders' general assembly, and selected from the four big global audit firms established in the Kingdom.

Al Rajhi Bank has a robust reporting platform for investors as well as the public, specifically designed to ensure financial information and public interest reports are generated through strongly validated financial data processing engines, financial standards compliance, and quality assurance policies and procedures. The Bank also has many internal governance committees and monitoring departments engaging and working together towards producing accurate, transparent financial information for all of investors and public users, which is in-line with the SAMA requirements.

All generated financial reports and other additional information is readily available for viewing and downloading on Al Rajhi Bank's dedicated online Investor Relations page. The Bank also has a dedicated Investor Relations App with direct access to financial reports as well as Al Rajhi Bank stock information, dividend history, investment calculator and the latest announcements for an enriched investor experience.

The revenue recognition policy and procedures of Al Rajhi Bank are fully compliant with the international financial standards, and use the effective profit yield in driving the Bank's income and fees. The Bank also provides several services to customers where the relevant fee and income are recognised as soon as those services are rendered.

Al Rajhi Bank makes a varied range of Zakat and tax payments to the Zakat, Tax and Customs Authority (ZATCA) of Saudi Arabia. The Bank employs qualified internal and external experts to ensure perfect compliance with all Zakat and tax rules and regulations applied in the Kingdom of Saudi Arabia. The Zakat paid for the year 2023 decreased by 3.2% YoY, and was one of the highest Zakat payments made by a Saudi corporate.

Equity ownership structure

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

Employee remuneration, incentives and other benefits

The long-standing reputation earned by Al Rajhi Bank as one of the most sought-after employers in the Kingdom is anchored to the Bank's benchmarked compensation practice. Al Rajhi remained committed to attract, retain, develop, motivate and equitably compensate employees of the highest calibre during the reporting period, recognizing and rewarding employees in recognition for their relative contribution in effectively achieving the Bank's strategic goals, while building a sustainable succession pipeline.

The Al Rajhi Bank's Graduate Training Program (GDP) remained one of the Kingdom's highly sought-after on-the-job training programmes for fresh graduates. GDP introduced a female only program during the reporting period to

underscore the Bank's commitment to provide equal opportunities, and also introduced programs to cover multiple focus areas; namely IT and business.

In 2023, Al Rajhi Bank continued to provide employees with a compensation package that consists of base salary, allowances and variable pay (incentives/bonuses) that are highly competitive with those provided by comparable organisations for similar levels of duties and responsibilities. The employee's compensation package is built towards rewarding performance with emphasis on the "At Risk" component to align and encourage behaviours that support the Bank's values and risk management framework, adherence to the internal control framework and compliance to regulatory requirements.

Risk factors are an integral part of the balanced scorecard for senior managers' performance management. Risk-measure thresholds have been defined with required triggers for variable and long-term bonuses qualifying assessments. To ensure long-term and other risk factors are fully considered, the proportion of the variable bonus that is deferred increases with levels of seniority.

The Board of Directors has ultimate responsibility for promoting effective governance and sound remuneration practices. Compensations and remunerations due to Board members and non-Board members are calculated on an annual basis, based on the recommendation of the Nominations and Remunerations Committee and approval of the Board of Directors. Please refer to page 196 for more detailed information on the Bank's Remuneration Policy.

Corporate behaviour

GRI 2-23

Business ethics

The commitment to the highest standards of ethical, moral and statutory conduct and corporate behaviour at Al Rajhi Bank cascades from the Board of Directors and Senior Management down the organisational hierarchy to the employees across all strata of the organisation. The Bank is built on honesty, integrity and transparency, and promotes a corporate culture that adheres to these core values.

Compliance is instilled into Al Rajhi Bank's everyday business practices, and is viewed as an integral part of its operations and banking activities. It is the responsibility of all employees to observe high ethical, moral and statutory standards nurtured by the Bank, which continues to strengthen its relationship with its customers and, consequently, its reputation.

Various regulatory requirements were integrated across the Bank to further enhance corporate behaviours, and continuously improve its governance process with the objective of combating misconduct across the Bank and its customer base.

During the reporting period, the Bank identified a number of risks that might hinder the achievement of its objectives and analysed these risks in order to understand how they can be managed.

Al Rajhi Bank continued to analyse the potential scenarios for fraud, misconduct, bribery, corruption and money laundering during the year in review, while assessing potential risks that may arise in the achievement of related objectives. This helped identify and create internal controls that have contributed towards mitigating risks that may bring about such cases of misconduct.

The Bank's farsighted investments in the latest in technology enhanced its financial crime prevention, detection and response capabilities. Advanced strategies including financial crime detection strategies were executed during the year, revealing trends and patterns that the data of the Bank and its customers should follow. Artificial Intelligence (AI) and data mining methods were also utilised during 2023 to generate new data from existing databases, to predict customer behaviour as well as the future performance of the Bank's different functions. Variations from expected outcomes will be directly identified and mapped on to the actions that employees and other parties have taken.

Following the major revamp of the Anti-fraud Function during the previous financial year, the Bank developed and adopted a best-in-class Anti-Fraud Function to global benchmarks, minimising incidents of fraud whilst minimally impacting the customer experience. Prevention and detection capabilities continued to be enhanced by utilising enriched data, leveraging Cognitive Analytics, AI and Machine Learning. Predictive analytics were applied to behaviours in a bid to understand anticipated future behaviour; which will enable the timely highlighting of any irregularities.

The Bank is committed to verifying, on an ongoing basis, the identity of its customers and ensuring that information and documentation is up-to-date, complete and accurate in order to mitigate financial crime risks. The monitoring of customer profiles is conducted through periodic reviews, event driven reviews, ongoing screening and transaction monitoring. Customer transactions continued to be monitored through a transaction monitoring system, with in-built rules or scenarios that trigger alerts that are reviewed by the Anti-money Laundering and Counter-terrorism Financing (AML-CTF) Department staff. This function reduces the risk of money laundering and terrorism financing and the risk to the Bank's reputation, while also avoiding regulatory sanctions.

The reporting period also saw the Compliance Group implementing the SAS transaction monitoring system – a modern, flexible and automated AML Monitoring System compatible with Al Rajhi Bank's core banking system.

Al Rajhi Bank, at its core, remains ESG compliant in its overarching strategy of becoming the "Bank of the Future", supporting the diversification of the Saudi economy, and navigating the Kingdom towards Vision 2030 as a reliable, stable and sustainable financial institution, which conducts itself at the highest levels of corporate governance.

In 2023, Al Rajhi Bank continued to strengthen its reputation as the World's Leading Islamic Bank, and a disciplined and well-managed financial institution exercising sound governance practices.



corporate governance

167

Board of Directors	168
Executive Management	174
Chief Executive Officers of Subsidiaries	178
Governance	181
Risk Management	217



board of directors

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary

GRI 2-11



Abdullah bin Sulaiman bin Abdulaziz Al Rajhi – Chairman

Committees Membership

- Executive Committee

Current Positions

Chairman of the Board of many companies in KSA including:

- Al Rajhi Banking and Investment Corporation (Al Rajhi Bank)
- Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful)
- Al Rajhi Capital
- Al Rajhi Holding Group
- Alfarbi Petrochemicals Company
- Interior & Exterior Floor Textiles Solutions Holding Co.
- Al Ajyal Holding Company

Previous Positions

Held many positions in Al Rajhi Bank from 27 May 1979 to 31 March 2012 including:

- Managing Director and Chief Executive Officer
- Chief Executive Officer
- General Manager

- First Deputy General Manager
- Deputy General Manager of Investment and Foreign Relations
- Deputy General Manager of Financial Affairs

Qualifications

- Bachelor of Business Administration – King Abdulaziz University, KSA

Experience

- Contributed to the conversion of Al Rajhi Exchange and Trade Company into a public joint stock company and held many leading positions at Al Rajhi Bank for over 35 years.



Ibrahim bin Mohammed Abdulaziz Alromaih

Committees Membership

- Executive Committee
- Nominations and Remuneration Committee

Current Positions

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

Previous Positions

- CEO – Saudi Arabian Investment Company
- Board Vice Chairman – Capital Market Authority
- Associate Secretary General – Public Investment Fund
- Board Member – National Commercial Bank
- Board Member – Energy and Water Works Company

Qualifications

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

Experience

- Close to 30 years of experience in banking, finance and investment fields



Badr bin Mohammed bin Abdulaziz Al Rajhi

Committees Membership

- Governance Committee

Qualifications

- High School

Current Positions

- Board Member and Member of the Governance Committee – Al Rajhi Bank
- Chairman – Al Rajhi Steel
- Chairman – Berain Company
- Chairman – Saudi Tourism Development Company
- Chairman – Albadr Alzaher Co.
- Chairman – Great United Co.
- Managing Director and Vice Chairman – Mohammed Abdulaziz Al Rajhi & Sons Investment Company
- Vice Chairman of the Board of Directors – Aljazirah Home Appliance Co. Ltd.

Experience

- More than 30 years of experience in areas of administrative investment, industrial, tourism, and real estate fields. Serves as a member of the boards of directors for number of listed companies.

Previous Positions

- Held several leading positions in areas of management, industry and real estate investment, and has served as Board Member of joint-stock companies.



Abdulaziz bin Khalid bin Ali Alghufaily

Committees Membership

- Executive Committee
- Nominations and Remuneration Committee

- Board Member – Panda Retail Company
- Board Member – Savola Foods Company
- Board Member – Savola Group
- Board Member – National Petrochemical Industries Company (NATPET)

Current Positions

- Board Member and Member of the Executive Committee, and Nominations and Remuneration Committee – Al Rajhi Bank
- Board Member – Al Rajhi Capital
- Board Member – Alujain Corp.

Qualifications

- Bachelor of Economics – King Saud University, KSA
- Master's in Economics – Western Illinois University, USA

Previous Positions

- General Manager Financial Investments – Hassana Company
- Board Member – Industrialization and Energy Services Company
- Board Members – Riyadh Hotels and Entertainment Company
- Board Member – Saudi Industrial Development Company
- Board Member – Tabuk Agricultural Development Company
- Board Member – National Medical Care Company
- Board Member – Herfy Foods Company

Experience

- Long-established career in the field of investment for three decades.



**Khalid bin Abdulrahman bin
Abdullah Al Gwaiz**

Committees Membership

- Risk Management Committee

Current Positions

- Board Member and Chairman of the Risk Committee – Al Rajhi Bank
- Chairman of the Board of Directors, Chairman of the Executive Committee and Member of the Nominations Committee – Riyadh Cables Company
- Board Member, Member of the Executive Committee, Chairman of the Audit Committee and Member of the Nominations Committee – Saudi Pharmaceutical Industries and Medical Appliances Company (SPIMACO)
- Board Member and Chairman of the Nominations Committee – Bawan Holding Company
- Board Member and Chairman of the Audit Committee – EMCOR Saudi Company
- Board Member – Unique Solutions for Chemical Industries (USCI)
- Board Member – Itihad International Construction Company

Previous Positions

- Managing Director – ACWA Holding Group
- Board Member and Chairman of the Nominations and Remuneration Committee – Saudi Cooling Company
- Board Member, Member of the Audit Committee, and Chairman of the Nominations and Remuneration Committee – Swicorp
- Board Member – Synergy Management Consulting Company
- Executive Director of Bin Ladin Global Holding Company
- Board Member – National Medical Products Company
- Board Member – Vision of the Nation Investment Company
- Board Member – Roaa Developmental Holding Company

Qualifications

- Bachelor of Urban Planning – University of Washington, USA

Experience

- Over 30 years of experience in finance, industrial, and banking fields.



**Abdulatif bin Ali bin
Abdullatid Alseif**

Committees Membership

- Executive Committee
- Audit and Compliance Committee

Current Positions

- Board Member, Chairman of the Audit and Compliance Committee, and Member of the Executive Committee – Al Rajhi Bank
- Board Member – Arabian Cement Company
- Board Member – Wisayah Investment Company
- Board Member – Al Nahdi Medical Company
- Board Member – Arab Internet and Communications Services Company (Solutions by STC)
- Managing Director and CEO – Seventy Investment Company
- Board Member – Al Bilad Tourism Fund
- Board Member – Saudi Agricultural and Livestock Investment Company (SALIC)

Previous Positions

- Vice President and Chief Investment Officer – King Abdullah Humanitarian Foundation
- Director of Portfolio Management – Mask

- Head of Portfolio Management, Investment Management Division – Aramco
- Board Member – HSBC Saudi Arabia
- Executive Director – Joint Vision Company Limited
- Board Member and CEO – Pioneer Investment Company
- Board Member – National Petrochemical Company (Petrochem)
- Board Member – Abdullah Al Othaim Investment Company
- Board Member – Riva Investment Company
- Board Member – Olam Agricultural Company

Qualifications

- Bachelor's and Master's in Business Administration – Boston University, USA
- Master's Degree in Economics – Boston University, USA
- Certified Public Accountant – American Institute of Certified Public Accountants (AICPA)
- Chartered Financial Analyst – CFA Institute

Experience

- Over 20 years of experience in finance and investment fields also Board and Committee Member of many companies



**Hamza bin Othman bin
Hamza Khushaim**

Committees Membership

- Executive Committee
- Risk Management Committee

Current Positions

- Board Member, and Member of the Executive Committee and Risk Management Committee – Al Rajhi Bank
- Head of Strategy – Hassanah Investment Company
- Member of the Advisory Board of the Center for Business and Government of the Kennedy School – Harvard University
- Member of the Saudi Investor Association
- Certified member of the Society of Financial Analysts – America

Previous Positions

- Hedge Fund Portfolio Manager – King Abdullah University of Science and Technology Endowment
- Hedge Fund Portfolio Manager – Investment Management – Treasury – Saudi Aramco

- Financial Analyst – Investment Management – Treasury – Saudi Aramco
- Board Member and the Remuneration and Nominations Committee – Dallah Health Services Company

Qualifications

- Bachelor of Finance – Michigan State University, USA
- Master's in Business Administration – Michigan State University, USA
- Chartered Financial Analyst – CFA Institute

Experience

- 18 years of experience in the investment field

**Raeed bin Abdullah bin
Saleh Al Tamimi**

Committees Membership

- Audit and Compliance Committee
- Governance Committee
- Nominations and Remuneration Committee

Current Positions

- Board Member, Member of the Governance Committee, Member of the Nominations and Remuneration Committee, and member of the Audit and Compliance Committee – Al Rajhi Bank
- Board Member, Member of the Audit Committee, and Member of the Risk Committee – National Gas and Industrialization Company

Previous Positions

- CEO – Tawuniya Insurance
- CEO – National Medical Care Company
- Member of the Board of Directors – Tawuniya Insurance
- Member of the Board of Directors – National Medical Care Company

- Board Member – a conduit for electronic information transfer
- Board Member – Najm Insurance Services Company
- Board Member and Member of the Nominations and Remuneration Committee – Saudi Public Transport Company

Qualifications

- Bachelor of Medical Sciences, University of Wales, Britain

Experience

- He has administrative experience for more than 20 years. He also currently serves as a member of the boards of directors and committees of a number of listed companies.



**Waleed bin Abdullah bin
Ali Al Mogbel**

Current Positions

- Managing Director and CEO- Al Rajhi Bank
- Board Member – Al Rajhi Company for Cooperative Insurance (Takaful Al Rajhi)
- Chairman of the Board of Directors – Emkan Finance Company
- Chairman of the Board of Directors – International Digital Solutions Company (NeoLeap)
- Chairman of the Board of Directors – Human Resources Management and Development Company (Tanfeeth)
- Chairman of the Board of Directors – Ejada Systems
- Board Member – Al Rajhi Capital

Previous Positions

- Executive Vice President – Al Rajhi Bank
- Head of Operations – Al Rajhi Bank
- Head of the Financial Group – Al Rajhi Bank

Qualifications

- PhD in Auditing – Cardiff University, UK
- Master in Finance – University of Southampton, UK
- Bachelor of Accounting – King Saud University, KSA

Experience

- Over 24 years of experience in finance, banking, auditing, tax, and administrative financial consulting



**Motassim bin Abdulaziz bin
Fahad Almaashouq**

Committees Membership

- Risk Committee

Current Positions

- Board Member and Member of the Risk Committee – Al Rajhi Bank
- Board Member – Northern Trust Company

Previous Positions

- Board Member – Al Borg Laboratories
- Board Member – Lamprell Energy Company
- Board Member – Johns Hopkins Aramco Medical Center
- Board Member – Dussur
- Board Member – Energy Company
- Chairman of the Board of Directors – Aramco Development Company
- Chairman of the Board of Directors – Saudi Aramco Base Oils Company (Lubref)
- Board Member – Rabigh Refining and Petrochemical Company (Petro Rabigh)
- He held several positions in Saudi Aramco and its subsidiaries

Qualifications

- Master of Arts – University of London, UK
- Bachelor of Arts – University of East Anglia, UK

Experience

- He has more than 36 years of practical experience in Saudi Aramco, holding several leadership positions including: Vice President for the IPO – Vice President for Corporate Planning – Vice President for New Business Development – President of Treasury – CEO of Petron and Petrolube Company (subsidiaries of Aramco). He also participated in board memberships in several companies affiliated with Saudi Aramco.



Mansour bin Abdulaziz bin Rashid Albosaily

Committees Membership

- Governance Committee
- Nominations and Remuneration Committee

Current Positions

- Board Member, Chairman of the Governance Committee and Member of the Nominations and Remuneration Committee – Al Rajhi Bank
- Board Member – Saudi Ground Services Company
- Board Member – Sinad Holding Company
- Board Member – United Electronics Company

Previous Positions

- Board Member – Amlak International Real Estate Development Company
- Board Member – Gas Arabian Services Company
- Board Member – Saudi Reinsurance Cooperative Company (Re)

- Chairman of the Board of Directors – HSBC Saudi Arabia
- Board Member – Jabal Omar Development Company
- Executive General Manager for Legal Affairs and Secretary General – The Saudi British Bank (SABB)

Qualifications

- Bachelor of Laws – King Saud University, KSA

Experience

- Over 25 years of experience in the banking sector and has served on boards of many companies

executive management

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary



executive management

Overview
Context
Business in Perspective
ESG Report
Corporate Governance ●
Financial Statements
Supplementary



Overview
Context
Business in Perspective
ESG Report

1 Corporate Governance Financial Statements Supplementary



1 Waleed Abdullah Al-Mogbel

Current position

Managing Director and
Chief Executive Officer

Previous positions

Deputy Chief Executive Officer (ARB)

Chief Operating Officer (ARB)

Qualifications

PhD in Accounting and Auditing

Experience

26 Years



2 Abdulrahman Abdullah Al-Fadda

Current position

Chief Financial Officer

Previous positions

General Manager of Treasury and
Financial Institutions (ARB)

Qualifications

Bachelor's degree - Electrical Engineering

Experience

27 Years



6 Hossam Essam Al-Basrawi

Current position

General Manager Corporate
Banking Group

Previous positions

Head of the Corporate
Banking Group (BSF)

Qualifications

Bachelor's degree in Law

Experience

26 Years



7 Abdulrahman Al-Ajaji

Current position

General Manager Treasury Group

Previous positions

Head of Global Market - Sales (SABB)

Qualifications

Bachelor of Science - Computer Science

Experience

20 Years



8 Abdullah Ali Al-Furaiji

Current position

Chief Digital Officer

Previous positions

AGM Digital Business (ARB)

Qualifications

Bachelor Degree in Organization
and Management Development,
Financial Accounting

Experience

23 Years



12 Abdulaziz Saad Al-Resais

Current position

Chief Risk Officer

Previous positions

AGM - Enterprise Risk Management (ARB)

Qualifications

Master's degree of Business
Administration

Experience

21 Years



13 Hamad Ibrahim Al-Washmi

Current position

Chief Compliance Officer

Previous positions

Chief Risk and Compliance officer (HSBC),
Chief Customer Experience Officer (SABB)

Qualifications

Master Degree in Business Administration

Experience

24 Years



14 Thamer Abdullah Alhumud

Current position

Chief Governance and Legal Officer

Previous positions

Chief of Legal, Compliance, Risk and
Governance (Cultural Development
Fund), General Legal Counsel, Director
of Compliance and Governance
Affairs/ Board Secretary (Al Raidah
Investment Company)

Qualifications

Master's degree in Finance and
Securities Law

Experience

19 Years



3 Abdullah Saleh Alomari

Current position
Chief Operating Officer

Previous positions
Chief Information Officer (ARB)

Qualifications
Bachelor's degree – Electrical Engineering

Experience
22 Years



4 Ahmed Saleh Al-Sudais

Current position
Chief Human Resources Officer

Previous positions
ACWA Power International,
KSA – VP Human Capital

General Manager, Human Resources
Group (SABB Bank)

Qualifications
Bachelor's degree in Accounting

Experience
32 Years



5 Majed Saleh Al-Rajhi

Current position
General Manager Retail Banking

Previous positions
AGM Private and Affluent Banking

Qualifications
MBA London Business School

Experience
19 Years



9 Faisal Ahmad Jawdat

Current position
Chief Private Banking Officer

Previous positions
Senior Area Manager, Central Region
Large Corporate Banking

Qualifications
Bachelor of Science in Finance, Prince
Sultan University

Experience
17 Years



10 Abdullah Saad Aljabr

Current position
Chief Marketing and Customer
Experience Officer

Previous positions
Chief Marketing and Customer
Experience Officer at Emkan

Qualifications
Master – Arts in Advertising and
Marketing Communications

Experience
11 Years



11 Saleh Abdullah Al-Lehedan

Current position
General Manager Sharia

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

Qualifications
PhD in Comparative Fiqh (Islamic Law)

Experience
37 Years



15 Dhary Mohali Al-Shammry

Current position
Chief Internal Auditor

Previous positions
General Director of Internal Audit (CMA)

Qualifications
Master's degree of Business
Administration

Experience
22 Years

chief executive officers of subsidiaries

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary



chief executive officers of subsidiaries



4



1 Fawaz Abou Nasr

Current position
Chief Executive Officer –
Ejada System Limited Co.

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

Qualifications
Bachelor of Science –
Computer Science

Experience
33 Years



2 Mohammad M. Hassobh

Current position
Chief Executive Officer – Tanfeeth Company

Previous positions
AGM Process Excellence – Al Rajhi Bank

Qualifications
Master's Degree of Business
Administration – Finance

Experience
20 Years



8



3 Hafed Ibrahim Altuwaijry

Current position
Chief Executive Officer –
Tuder Real Estate Company

Previous positions
Chief Executive Officer –
Josoor Real Estate Development Company

Qualifications
Bachelor in Civil Engineering

Experience
23 Years



4 Ziyad Al-Eisa

Current position
Chief Executive Officer – Neoleap

Previous positions
Chief Executive Officer – Bayan Credit Bureau

Qualifications
Master's Degree of Business Administration

Experience
16 Years



5 Waleed Al Rashed Al-Humaid

Current position
Chief Executive Officer –
Al Rajhi Capital

Previous positions
General Manager of Asset Management –
HSBC Saudi Arabia

Qualifications
Master Degree – Financial Economics

Experience
17 Years



6 Abdullah A. Al-Habdan

Current position
Chief Executive Officer –
Emkan Finance Company

Previous positions
AGM-Head of Micro & Small Business –
Al Rajhi Bank

Qualifications
Master Degree in International
Financial Management

Experience
18 years

chief executive officers of subsidiaries

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary



7 Abdulaziz Ali Al-Jdeed

Current position

Chief Executive Officer –
Tawtheeq Company

Previous positions

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

Qualifications

Bachelor in Business Banking

Experience

10 Years



8 Eyad Mohammad Jarrar

Current position

Chief Executive Officer – Al Rajhi Bank Jordan

Previous positions

CEO – AL TAS-HEELAT

Qualifications

Bachelors Of Economics

Experience

30 Years



9 Jassim Ismaeil Al-Awadhi

Current position

Chief Executive Officer – Al Rajhi Bank Kuwait

Previous positions

Head of Business – Al Rajhi Bank Kuwait

Qualifications

Master's Degree of Business Administration

Experience

23 Years



10 Muhammed Uzman

Current position

Acting Chief Executive Officer, Al Rajhi
Bank Malaysia

Previous positions

Chief Risk Officer

Qualifications

Associate Member of Institute of Bankers
of Sri Lanka

Experience

32 Years

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

Policies related to the Corporate Governance Manual

The Bank applies the Key Principles of Governance in Financial Institutions under the Control and Supervision of the Saudi Central Bank (SAMA) as well as the Corporate Governance Regulations issued by the Capital Market Authority (CMA). The Bank has developed its Corporate Manual and the charters governing the Board Committees and management committees. These documents are subject to periodic review by the Board and its committees.

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

Corporate Governance Regulations, the Key Principles of Governance in Financial Institutions under the Control and Supervision of the Saudi Central Bank (SAMA) and any relevant principles and guidelines.

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

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

The Bank also applies procedures for settling customers and shareholders complaints. These procedures are monitored by SAMA and the CMA. The Bank has also implemented a Social Responsibility Policy aiming at enhancing the Bank's social role.

CMA's Corporate Governance Regulations

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

Implemented and non-implemented provisions of the Corporate Governance Regulations and justifications for non-implementation

The Bank applies all the provisions of the Corporate Governance Regulations issued by the CMA on 13 February 2017 and amended on 18 January 2023, except for the following articles:

Article/Clause No.	Article/Clause	Justifications for non-implementation
Article (39) Clause "E"	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. (Guiding paragraph)	The evaluation is done internally on an annual basis.
Article (84)	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the society for purposes of developing the social and economic conditions of the society. (Guiding article)	ARB has a Social Responsibility Policy approved by the Board of Directors.

Board structure

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

Member name	Names of companies where the Board Member is a member of the current Boards or one of their managers	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their managers	Inside/ outside the Kingdom	Legal entity
Abdullah bin Sulaiman bin Abdulaziz Al Rajhi 	- Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful) - Al Rajhi Capital - Al Rajhi Holding Group - Alfarabi Petrochemicals Company - Interior & Exterior Floor Textiles Solutions Holding Co. - Ajyal Holding Company	Inside the Kingdom	- Listed joint-stock company - Closed joint-stock company - Closed joint-stock company - Closed joint-stock company - Closed joint-stock company - Closed joint-stock company	Al Rajhi Bank (CEO)	Inside the Kingdom	Listed joint-stock company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their managers	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their managers	Inside/ outside the Kingdom	Legal entity
Ibrahim bin Mohammed Alromaih 	Saudi Arabian Investment Company	Inside the Kingdom	Unlisted joint-stock company	- The Saudi Arabian Investment Company (CEO) - National Commercial Bank - ACWA Power	Inside the Kingdom	- Unlisted joint-stock company - Listed joint-stock company - Listed joint-stock company
Abdulaziz bin Khalid Alghufaily 	- Al Rajhi Capital - Alujain Corp.	Inside the Kingdom	- Unlisted joint-stock company - Listed joint-stock company	- Industrialisation & Energy Services Company - Riyadh Hotels and Entertainment Company - Saudi Industries Development Company - Tabuk Agriculture Development Company - National Medical Care Company - Herfy Food Company - Panda Retail Company - Savola Group - Savola Foods Company - National Petrochemical Industries Company (NAPTET)	Inside the Kingdom	- Unlisted joint-stock company - Unlisted joint-stock company - Unlisted joint-stock company - Listed joint-stock company - Listed joint-stock company - Unlisted joint-stock company - Unlisted joint-stock company - Listed joint-stock company - Unlisted joint-stock company - Unlisted joint-stock company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their managers	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their managers	Inside/ outside the Kingdom	Legal entity
Badr bin Mohammed Al Rajhi 	• Mohammed Abdul Aziz Al Rajhi and Sons Investment Company • Al-Rajhi Steel Company • Berain Company • Saudi Tourism Development Company • AlJazirah Home Appliances Company • Great United Co. • Albadr Alzaher Co.	Inside the Kingdom	• Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Closed joint-stock company • Limited liability company	• Falcon Plastic Products Company • DAEM Real Estate Investment	Inside the Kingdom	• Closed joint-stock company • Closed joint-stock company
Khalid bin Abdulrahman Al Gwaiz 	• Riyadh Cables Company • EMCOR Saudi Company • Unique Solutions for Chemical Industries (USCI) • Bawan Holding Company • Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO) • Itihad International Construction Company	Inside the Kingdom	• Listed joint-stock company • Limited liability company • Limited liability company • Listed joint-stock company • Listed joint-stock company • Limited liability company	• ACWA Holding Group • Astra Industrial Group • Samba Financial Group • Arab National Bank • Swicorp Company • Synergy Management Consulting Co. • Bin Ladin International Holding Group (Executive Director) • The National Medical Products Co. • Ro'yat Watan Investment Company • Roaa Development Holding Company	Inside the Kingdom	• Unlisted joint-stock company • Listed joint-stock company • Listed joint-stock company • Listed joint-stock company • Unlisted joint-stock company • Limited liability company • Unlisted joint-stock company • Limited liability company • Limited liability company • Limited liability company

Member name	Names of companies where the Board Member is a member of the current Boards or one of their managers	Inside/ outside the Kingdom	Legal entity	Names of companies where the Board Member is a member of the previous Boards or one of their managers	Inside/ outside the Kingdom	Legal entity
Mansour bin Abdulaziz Albosaily 	- Snad Holding Company - Saudi Ground Services Company - United Electronics Company (Extra)	Inside the Kingdom	- Listed joint-stock company - Listed joint-stock company - Listed joint-stock company	- GAS Arabian Services Company - Saudi Reinsurance Company "Saudi Re" - HSBC Saudi Arabia - Jabal Omar Development Company - Saudi British Bank (SABB) - Amlak International Real Estate Development Company	Inside the Kingdom	- Unlisted joint-stock company - Listed joint-stock company - Closed joint-stock company - Listed joint-stock company - Listed joint-stock company - Listed joint-stock company
Motassim bin Abdulaziz Almaashouq 	Northern Trust Company - Saudi Arabia	Inside the Kingdom	Closed joint-stock company	- AlBorj Diagnostics - Lamprell Energy Company - Johns Hopkins Aramco Medical Centre - DUSSUR - TAQA - Aramco Development Company - Saudi Aramco Base Oil Company - Luberef - Saudi Aramco Entrepreneurship Centre (Wa'ed Ventures) - Saudi Aramco Energy Projects - Rabigh Refining and Petrochemical Company (Petro Rabigh)	Inside the Kingdom	- Unlisted joint-stock company - Limited liability company - Limited liability company - Unlisted joint-stock company - Unlisted joint-stock company - Limited liability company - Listed joint-stock company - Limited liability company - Limited liability company - Listed joint-stock company

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary

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

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

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

Member name	Membership classification (executive/non-executive/independent)
Abdullah bin Sulaiman Al Rajhi	Non-executive
Ibrahim bin Mohammed Alromaih	Independent
Abdulaziz bin Khalid Alghufaily	Non-executive
Badr bin Mohammad Al Rajhi	Non-executive
Khalid bin Abdulrahman Al Gwaiz	Non-executive
Mansour bin Abdulaziz Albosaily	Non-executive
Motassim bin Abdulaziz Almaashouq	Independent
Hamza bin Othman Khushaim	Independent
Raeed bin Abdullah Al Tamimi	Independent
Abdulatif bin Ali Alseif	Independent
Waleed bin Abdullah Al Mogbel	Executive

Committees of the Board of Directors

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

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

A – Executive Committee:

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

The Committee held eight meetings during the year 2023 as follows:

Meeting No.	Date	Member name				
		Abdullah bin Sulaiman bin Abdulaziz Al Rajhi	Ibrahim bin Mohammed Abdulaziz Alromaih	Abdulaziz bin Khalid bin Ali Alghufaily	Hamza bin Othman bin Hamza Khushaim	Abdulatif bin Ali bin Abdullatif Alseif
		Chairman	Member	Member	Member	Member
1	08 February 2023	✓	✓	✓	✓	✓
2.	21 March 2023	✓	✓	✓	✓	✓
3.	16 May 2023	✓	✓	✓	✓	✓
4.	15 June 2023	✓	✓	✓	✓	✓
5.	14 September 2023	✓	✓	✓	✓	✓
6.	26 October 2023	✓	✓	✓	✓	✓
7.	07 December 2023	✓	✓	✓	✓	✓
8.	12 December 2023	✓	✓	✓	✓	✓

B – Nomination and Remuneration Committee

GRI 2-10

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

The Committee held four meetings during the year 2023 are as follows:

Meeting No.	Date	Member name				
		Ibrahim bin Mohammed Alromaih	Abdulaziz bin Khalid bin Ali Alghufaily	Raeed bin Abdullah bin Saleh Al Tamimi	Khalid bin Abdulrahman bin Abdullah Al Gwaiz	Mansour bin Abdulaziz bin Rashid Albosaily
		Chairman	Member	Member	Member	Member
1	15 January 2023	✓	✓	✓	✓	Membership commenced on the 12th board cycle on 14 November 2023
2.	14 May 2023	✓	✓	✓	✓	
3.	11 September 2023	✓	✓	✓	✓	
4.	13 September 2023	✓	✓	✓	✓	
					Membership ended at the end of the 11th Board cycle on 13 November 2023	

C – Governance Committee:

GRI 2-15

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

The Committee held four meetings during the year 2023 as follows:

Meeting No.	Date	Member name				
		Ibrahim bin Mohammed Alromaih	Ibrahim bin Fahd Al-Ghufaili	Raeed bin Abdullah Al Tamimi	Mansour bin Abdulaziz bin Rashid Albosaily	Badr bin Mohammed Al Rajhi
		Chairman	Member	Member	Chairman	Member
1	05 February 2023	✓	✓	✓	Membership commenced on the 12th Board cycle on 14 November 2023	
2.	14 May 2023	✓	✓	✓		
3.	15 June 2023	✓	✓	✓		
4.	26 October 2023	✓	✓	✓		
		Membership ended at the end of the 11th Board cycle on 13 November 2023				

D – Audit and Compliance Committee:

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

The Audit and Compliance Committee held six meetings during the year 2023 are as follows:

Meeting No.	Date	Member name							
		Abdullatif bin Ali Al Seif	Raeed bin Abdullah Al-Tamimi	Abdullah bin Ali Al Muneef	Farraj bin Mansour Abuthnain	Walid bin Abdullah Tamairik	Khalid bin Saleh Alsubail	Yousef bin Mohammad Alsohibani	Osamah bin Saleh Alhedathi
		Chairman	Member	Member	Member	Member	Member	Member	Member
1	29 January 2023	✓	✓	✓	✓	✓	Membership commenced on the 12th Board cycle on 14 November 2023		
2.	26 April 2023	✓	✓	✓	✓	✓			
3.	25 May 2023	✓	✓	✓	✓	✓			
4.	23 July 2023	✓	✓	✓	✓	✓			
5.	22 October 2023	✓	✓	✓	✓	✓			
6.	24 December 2023	✓	✓	Membership ended at the end of the 11th Board cycle on 13 November 2023			✓	✓	✓

Audit and Compliance Committee members (Non-Board members)

Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
Osamah bin Saleh Alhedathi	Audit and Compliance Committee	- Member of the Audit Committee - Al Rajhi Bank - Head of the General Department of Internal Audit of the Royal Commission for the City of Riyadh - Member of the Audit Committee of Alawwal Investment Company - Member of the Real Estate Development Fund Review Committee - Member of the SRC Review Committee (PIF) - Member of the Al Soudah Development Company Review Committee (PIF) - Member of the Review Committee of King Faisal Specialist Hospital and Research Centre - Member of the Board of Directors of the Economic Portal	- Head of Internal Audit Salik - Chairman of the Audit Committee Salek "Ukraine" - Chairman of the Audit Committee, Salik (Australia) - Head of Internal Audit, Human Resources Development Fund - Head of Cooperative Insurance Internal Audit - Head of Internal Audit, Med Gulf - Head of Internal Audit, Capital Market Authority - Member of the Audit Committee of Awj International Company - Member of the Board of Directors of the Internal Auditors Authority - Member of the Audit and Risk Committee G3 CANADA	- Bachelor of Accounting, King Khalid University, KSA - Master's degree in computer science and information systems, University of Detroit, USA	Held many leadership and advisory positions in the financial, administrative, and economic fields. Over 30 years of experience in the field of internal auditing.

Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
Khalid bin Saleh Alsubail	Audit and Compliance Committee	- Member of the Audit Committee of the National Services Company "NAS" - Member of the National Housing Company Audit Committee - Member of the Audit and Risk Committee of the National Center for Measuring the Performance of Public Agencies	- Head of the Division for Combating Financial Crimes, Money Laundering and Terrorist Financing - Central Bank of Saudi Arabia - Director of the Banking Inspection Department - Central Bank of Saudi Arabia - Director of the Banking Implementation Department - Central Bank of Saudi Arabia, - Advisor to the Ministry of Housing - Member of the Audit Committee of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company - Med-Gulf - Member of the Audit, Compliance and Risk Committee of the Saudi Export-Import Bank - Member of the Audit Committee, The Saudi British Bank (SABB)	- Bachelor of Arts, King Saud University, KSA - Higher Diploma in advanced banking studies, Institute of Public Administration, Riyadh, KSA - Master of Accounting, University of Illinois, USA - CPA Certification	Held many leadership and advisory positions in the financial, administrative, and economic fields. He has more than 30 years of experience in the field of internal auditing

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary

Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
Yousef bin Mohammad Alsohibani	Audit and Compliance Committee	- Member of the Audit Committee - Najm Insurance Services Company - Member of the Board of Directors - Azad Real Estate Company - Member of the Al Rumaih Industrial and Commercial Group Review Committee - Member of the Audit Committee - Medical Holding Company	- Ernst Young Senior Advisor - Operational Risk Manager for the Mediterranean, Gulf and Reinsurance Company - Director of Internal Audit, Malath Insurance Company - Internal Audit Manager, Pioneer Investments Company/ Integrated Osool - Member of the Board of Directors of SABIC Agri Nutrients Company - Member of the SABIC Agri Nutrients Company Audit Committee - Member of the Investment Committee of SABIC Agri Nutrients Company - Member of the Audit Committee of Raza Real Estate Company - Member of the Umm Al-Qura Cement Review Committee - Member of the Audit Committee, City Cement Company	- Bachelor of Accounting, King Saud University, KSA - Master of Finance, University of Portsmouth, UK	Held many leadership and advisory positions in the financial, administrative and economic fields with over 13 years of experience in the field of internal and external auditing.

E - Risk Management Committee

The primary purpose of the Risk Management Committee is to advise the Board of Directors regarding risk tolerance and risk strategy and to oversee the management's implementation of this strategy.

This includes the management of capital and liquidity strategies, credit and market risk management, operational risk, compliance risk, reputational risk, and any other potential risks that the Bank may face.

The Committee held five meetings during the year 2023 as follows:

Meeting No.	Date	Member name			
		Alaa bin Shakib Al-Jabri	Khalid bin Abdulrahman Al Gwaiz	Hamza bin Othman Khushaim	Motassim bin Abdulaziz Almaashouq
		Chairman	Member Chairman	Member	Member
1	15 February 2023	✓	✓	✓	Membership commenced on the 12th Board cycle on 14 November 2023
2.	23 May 2023	✓	✓	✓	
3.	22 August 2023	✓	✓	✓	
4.	25 October 2023	✓	✓	✓	
5.	05 December 2023	Membership ended at the end of the 11th Board cycle on 13 November 2023	✓	✓	✓

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

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

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

GRI 2-18

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

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

GRI 2-19, 2-20

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

1 - Board of Directors remuneration and compensations:

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

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

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

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

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

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

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

3 – Remuneration and compensations for Audit and Compliance Committee members:

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

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

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

4 – Granting shares:

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

5 – Allocation and payment mechanisms for remuneration and compensations:

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

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

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

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

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

6 – Remuneration and compensations of Senior Executives:

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

- The Board of Directors is responsible for approving the overall structure of the remuneration and oversight of all aspects of the remuneration system and may not delegate this responsibility to the executive management.
- Although there is a Board Nomination and Remuneration Committee, the Board of Directors has ultimate responsibility for promoting effective governance and sound remuneration practices.
- The Board of Directors reviews and approves the Remuneration Policy and any of its subsequent updates, based on the recommendation of the Nomination and Remuneration Committee, taking into account, inter-alia, the Banks' Remuneration Rules and any future updates or revisions issued by the Saudi Central Bank.

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

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

7 – Structure of remuneration and compensations of Senior Executives:

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

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

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

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

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

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

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

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

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

The Bank confirms that there are no major deviations between granted remuneration and applicable Remuneration Policy.

B – Remuneration and compensations paid to Board members, Board Committees, and Audit and Compliance Committee in 2023:

No.	Name	Board of Directors meetings		Audit and Compliance Committee meetings		Executive Committee meetings	
		No.	SAR	No.	SAR	No.	SAR
1.	Abdullah bin Sulaiman Al Rajhi	8	40,000	–	–	8	40,000
2.	Ibrahim bin Mohammed Alromaih	8	40,000	–	–	8	40,000
3.	Abdulaziz bin Khalid Alghufaily	8	40,000	–	–	8	40,000
4.	Khalid bin Abdulrahman Al Gwaiz	8	40,000	–	–	–	–
5.	Badr bin Mohammed Al Rajhi	8	40,000	–	–	–	–
6.	Alaa bin Shakib Al Jabri **	3	15,000	–	–	–	–
7.	Ibrahim bin Fahd Al-Ghufaili **	4	20,000	–	–	–	–
8.	Raeed bin Abdullah Al Tamimi *	8	40,000	6	30,000	–	–
9.	Hamza bin Othman Khushaim	8	40,000	–	–	8	40,000
10.	Abdulatif bin Ali Alseif *	8	40,000	6	30,000	8	40,000
11.	Waleed bin Abdullah Al Mogbel	8	40,000	–	–	–	–
12.	Mansour bin Abdulaziz Albosaily ***	4	20,000	–	–	–	–
13.	Motassim bin Abdulaziz Almaashouq ***	4	20,000	–	–	–	–
14.	Abdullah bin Ali Al-Munif **	–	–	5	25,000	–	–
15.	Walid bin Abdullah Tamerek **	–	–	5	25,000	–	–
16.	Farraj bin Mansour Abu Ithain **	–	–	5	25,000	–	–
17.	Khalid bin Saleh Alsubail ***	–	–	1	5,000	–	–
18.	Yousef bin Mohammad Alsohibani ***	–	–	1	5,000	–	–
19.	Osamah bin Saleh Alhedathi ***	–	–	1	5,000	–	–
Total		87	435,000	30	150,000	40	200,000

* Annual remuneration includes: remuneration for Board membership and remuneration for membership in the Audit and Compliance Committee.

** Membership ended on 13 November 2023

*** Membership started on 14 November 2023

Nomination and Remuneration Committee meetings		Governance Committee meetings		Risk Committee meetings		Annual remuneration	Total	Total paid to member according to policy
No.	SAR	No.	SAR	No.	SAR	SAR	SAR	SAR
-	-	-	-	-	-	400,000	480,000	480,000
4	20,000	4	20,000	-	-	400,000	520,000	500,000
4	20,000	-	-	-	-	400,000	500,000	500,000
4	20,000	-	-	5	25,000	400,000	485,000	485,000
-	-	-	-	-	-	400,000	440,000	440,000
-	-	-	-	4	20,000	347,397	382,397	382,397
-	-	4	20,000	-	-	347,397	387,397	387,397
4	20,000	4	20,000	-	-	550,000	660,000	660,000
-	-	-	-	5	25,000	400,000	505,000	500,000
-	-	-	-	-	-	550,000	660,000	660,000
-	-	-	-	-	-	400,000	440,000	440,000
-	-	-	-	-	-	52,603	72,603	72,603
-	-	-	-	1	5,000	52,603	77,603	77,603
-	-	-	-	-	-	130,274	155,274	155,274
-	-	-	-	-	-	130,274	155,274	155,274
-	-	-	-	-	-	130,274	155,274	155,274
-	-	-	-	-	-	19,726	24,726	24,726
-	-	-	-	-	-	19,726	24,726	24,726
-	-	-	-	-	-	19,726	24,726	24,726
16	80,000	12	60,000	15	75,000	5,150,000	6,150,000	6,125,000

C – Remuneration and compensations paid to five Senior Executives who received the highest remuneration from the Bank, including the CEO and CFO, in 2023

Elements	2023 full elements	2022 full elements
Salaries and compensations	11,310,000	10,260,000
Allowances	5,795,441	5,209,738
Periodic and annual rewards	12,930,000	12,640,000
Incentive schemes	22,019,667	21,140,000
Any other in-kind compensations	1,223,086	916,403
Total	53,278,194	50,166,141

Employee benefits and plans

The Bank offers its employees a number of benefits and bonuses during or at the end of the service period, according to the Saudi Labour Law and the Bank's policies. The provision for employees' end-of-service benefits is calculated using the entitlement assessment form in accordance with the Saudi Labour Law and local regulatory requirements. The provision for the end-of-service benefits amounted to SAR 3,367 Mn.

The Bank also grants deferred shares to its senior employees and to valuable human assets that the Bank needs to retain. This ensures

strengthening the Bank's long-term relationship with those employees. Granting of shares is subject to the approval of the Board of Directors upon the recommendation of the Nomination and Remuneration Committee.

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

There are no fines imposed by the Capital Market Authority.

Penalties imposed by the Saudi Central Bank

Violation subject	Fiscal year 2023		Fiscal year 2022	
	Number of penalty decisions	Total amount of fines in SAR	Number of penalty decisions	Total amount of fines in SAR
Violating the supervisory instructions of the Saudi Central Bank	53	34,313,692	49	38,459,200
Violating the instructions of Saudi Central Bank related to customer protection	8	1,960,760	4	1,062,400
Violating the instructions of Saudi Central Bank related to due diligence	2	580,000	-	-
Violating the instructions of Saudi Central Bank related to the level of performance of ATMs and POS machines	-	-	-	-
Violating the instructions of Saudi Central Bank related to due diligence in combating money laundering and terrorism financing	5	565,000	3	150,000

Fines imposed by other legal entities

GRI 2-27

No. Violation subject	Total amount of fines in SAR	
	Fiscal year 2023	Fiscal year 2022
1. Absence of requisite building permits with ATMs drive-thru, lack of setbacks, visible advertising posters on branches facades and ATMs, expiry of some locations' licenses, and absence of round-the-clock security guards in one branch and some transfer centres.	2,569,100	306,000

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

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

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

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

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

The Internal Control Committee (ICC) formed at the Bank continuously follows up on the observations and control operations in departments such as Internal Audit, Risks and Compliance, Account Differences, and other

departments, and reviews the level of progress in addressing those observations and developing solutions to any obstacles that the Bank's departments may face in this regard.

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

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

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

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

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

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

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

Annual review of internal control procedures

During 2023, Al Rajhi Bank made every effort to ensure the adequacy and effectiveness of the internal control system, in line with the requirements issued by the Saudi Central Bank. In addition, the activities implemented during the year 2023, which included a review of the efficiency of the internal control system through the works of Groups of Internal Audit, Risk and Compliance have contributed to providing reasonable assurances of the adequacy of the applied internal controls, in addition to confirming the existence of systems and

procedures necessary to identify and evaluate the high risks that the Bank may face, the method of dealing with them, as well as the safety of their application. No fundamental weaknesses affecting the adequacy of the internal control system were detected. Accordingly, and based on the results of the internal control system evaluation, Al Rajhi Bank has an adequate internal control system that works appropriately and is monitored and strengthened on an ongoing basis, bearing in mind that any internal control system, regardless of the level of its design and effectiveness, cannot provide absolute assurances.

General Assembly

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

Historical information of General Assembly meetings during the fiscal year:

No. Name	Attendance record	
	Ordinary General Assembly 33rd Meeting	Ordinary General Assembly 34th Meeting
1. Abdullah bin Sulaiman Al Rajhi	✓	✓
2. Ibrahim bin Mohammed Alromaih	✓	✓
3. Alaa bin Shakib Al Jabri	✓	✓
4. Khalid bin Abdulrahman Al Gwaiz	✓	✓
5. Waleed bin Abdullah Al Mogbel	✓	✓
6. Badr bin Mohammad Al Rajhi	✓	✓
7. Abdulatif bin Ali Alseif	✓	✓
8. Hamza bin Othman Khushaim	✓	✓
9. Abdulaziz bin Khalid Alghufaily	✓	✓
10. Raeed bin Abdullah Al Tamimi	✓	✓
11. Ibrahim bin Fahad Al Ghofaily	✓	✓

Bank's significant plans, decisions, and future expectations

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

Description of the Bank's dividends policy

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

1. The amounts required to pay the Zakat prescribed for the shareholders are calculated and the Bank pays these amounts to the competent authorities.

2. At least 25% of the remainder of the net profits after deducting Zakat is carried over to the statutory reserve until the aforementioned reserve becomes at least equal to the paid-up capital.
 3. An amount not less than 5% of the paid-up capital, after deducting the statutory reserve and Zakat, is allocated from the remainder of the profits for distribution to the shareholders in accordance with the Board of Directors' proposal and the General Assembly's decision. If the remaining percentage of the profits owed to the shareholders is not sufficient to pay this percentage, then shareholders may not claim its payment in the following year or years, and the General Assembly may not decide to distribute a percentage of the profits exceeding what was proposed by the Board of Directors.
 4. The remaining amount is used after allocating the amounts mentioned in Paragraphs (1), (2), and (3), as proposed by the Board of Directors and decided by the General Assembly.
- (B) Subject to the provisions of Paragraph (A) and the relevant regulations and after obtaining no objection from the Saudi Central Bank, the Bank may distribute interim dividends on a semi-annual or quarterly basis.

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

A - Members of the Board of Directors:

No.	Holder of interest, contractual papers, or subscription rights	Number of shares at the beginning of year 2023	Number of shares at the end of year 2023	Net change	Percentage of change %
1.	Abdullah bin Sulaiman Al Rajhi	87,229,416	87,229,416	-	0.00
2.	Ibrahim bin Mohammed Alromaih	27,342	28,342	1,000	3.66
3.	Abdulaziz bin Khalid Alghufaily	51,691	51,691	-	0.00
4.	Badr bin Mohammad Al Rajhi	3,647,973	101	(3,647,872)	-100.00
5.	Khalid bin Abdulrahman Al Gwaiz	-	1,000	1,000	0.00
6.	Alaa bin Shakib Al Jabri	-	Board representation concluded on 13 November 2023	-	0.00
7.	Ibrahim bin Fahad Al Ghofaily	1,188,387	Board representation concluded on 13 November 2023	-	0.00
8.	Raeed bin Abdullah Al Tamimi	-	100	100	0.00
9.	Abdulatif bin Ali Alseif	1,600	1,600	-	0.00
10.	Hamza bin Othman Khushaim	-	50	50	0.00
11.	Waleed bin Abdullah Al Mogbel	-	100	100	0.00
12.	Mansour bin Abdulaziz Albosaily	Board representation started on 14 November 2023	190,011	-	0.00
13.	Motassim bin Abdulaziz Almaashouq	Board representation started on 14 November 2023	-	-	0.00

B – Senior executives:

No.	Holder of interest, contractual papers, or subscription rights	Number of shares at the beginning of 2023	Number of shares at the end of year 2023	Net change	Percentage of change %
1.	Saleh bin Abdullah Al Lheidan	94,432	112,311	17,879	18.93
2.	Waleed bin Abdullah Al Mogbel	–	100	100	100.00
3.	Abdulrahman bin Abdullah Al Fadda	79,505	79,505	–	0.00
4.	Ahmed bin Saleh Al Sudais	32,000	75,000	43,000	134.38
5.	Abdulrahman bin Mohammed Al Ajjaji	–	450	450	100.00
6.	Majed bin Saleh Al Rajhi	145,019	146,261	1,242	0.86
7.	Hussam bin Issam Al Basrawi	13,543	52,787	39,244	289.77
8.	Abdullah bin Saleh Al-Omari	3,529	–	(3,529)	-100.00
9.	Turki bin Mohammad Al-Dafyan	8,867	21,529	12,662	142.80
10.	Thamer bin Abdullah Al Humud	–	17,082	17,082	100.00
11.	Dhary bin Mohali Alshammry	–	4,258	4,258	100
12.	Hamad bin Ibrahim Alwashmi	1,600	10,848	9,248	578.00
13.	Faisal bin Ahmed Jawdat	1,869	1,385	(484)	-25.90
14.	Abdullah bin Saad Aljabr	346	550	204	58.96

Board of Directors meetings

No.	Member name	Number of meetings							
		First Meeting 08 February 2023	Second Meeting 21 March 2023	Third Meeting 16 May 2023	Fourth Meeting 14 September 2023	Fifth Meeting 14 November 2023	Sixth Meeting 12 December 2023	Seventh Meeting 13 December 2023	Eighth Meeting 14 December 2023
1.	Abdullah bin Sulaiman Al Rajhi	✓	✓	✓	✓	✓	✓	✓	✓
2.	Ibrahim bin Mohammed Abdulaziz Alromaih	✓	✓	✓	✓	✓	✓	✓	✓
3.	Abdulatif bin Ali bin Abdulatif Alseif	✓	✓	✓	✓	✓	✓	✓	✓
4.	Abdulaziz bin Khalid bin Ali Alghufaily	✓	✓	✓	✓	✓	✓	✓	✓
5.	Badr bin Mohammed bin Abdulaziz Al Rajhi	✓	✓	✓	✓	✓	✓	✓	✓
6.	Khalid bin Abdulrahman bin Abdullah Al Gwaiz	✓	✓	✓	✓	✓	✓	✓	✓
7.	Hamza bin Othman bin Hamza Khushaim	✓	✓	✓	✓	✓	✓	✓	✓
8.	Raeed bin Abdullah bin Saleh Al Tamimi	✓	✓	✓	✓	✓	✓	✓	✓
9.	Waleed bin Abdullah bin Ali Al Mogbel	✓	✓	✓	✓	✓	✓	✓	✓
10.	Ibrahim bin Fahad Al Ghofaily	✓	✓	✓	✓	Membership ended on 13 November 2023			
11.	Alaa bin Shakib Al Jabri	✗	✓	✓	✓	Membership ended on 13 November 2023			
12.	Mansour bin Abdulaziz bin Rashid Albosaily	Membership has started on 14 November 2023				✓	✓	✓	✓
13.	Motassim bin Abdulaziz bin Fahad Almaashouq	Membership has commenced on 14 November 2023				✓	✓	✓	✓

Bank requests for shareholders register

No.	Request date	Request justifications
1.	27 December 2023	Company actions
2.	12 March 2023	Company actions
3.	29 October 2023	Company actions
4.	10 January 2023	Company actions
5.	20 August 2023	Company actions
6.	8 January 2023	Company actions
7.	7 February 2023	Company actions
8.	31 May 2023	Company actions
9.	5 February 2023	Company actions
10.	4 November 2023	Company actions
11.	21 March 2023	Company actions
12.	19 March 2023	Company actions
13.	3 February 2023	Company actions
14.	31 January 2023	Company actions

Related party transactions

During its normal business cycle, the Bank makes transactions with related parties which are subject to the controls stipulated by the Kingdom's legislative entities. The Bank has disclosed related party transactions in Note 34 of its final Financial Statements for the year 2023. The following is a summary of the nature and balances of those transactions for the year ended on 31 December 2023 (all amounts are in thousands of Saudi riyals):

Members of the Board of Directors

Financing	953,572
Current accounts	576,049

Companies and establishments guaranteed by members of the Board of Directors

Financing	4,793,033
Contingent liabilities	837,317

Associate

Contributions payable	111,608
Receivable against claims	522,390
Bank balances	401,627
Net income from financing and other financial assets	723,123
Mudaraba Fees	135,395
Employees' salaries and benefits (air tickets)	2,683
Rent and premises related expenses	541
Contribution – policies written	679,227
Claims incurred and notified during the year	422,076
Claims paid	250,747
Board of Directors' remunerations	6,125
Short-term benefits	167,883
Provision for employees' end of service benefits	3,367

Following is information related to businesses and contracts in which the Bank was a party and in which there was an interest for a member of the Board of Directors, a senior executive, or any person related to their professions during the year 2023:

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

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
1.	Fursan Travel & Tourism Co.	Abdullah bin Sulaiman Al Rajhi	Board Member	Owned by Board member	Travel & tourism services contract	Pricing contract for a period of one year automatically renewed for a similar period	Standard conditions without preferences	2,143,378
2.	Berain Company	Badr bin Mohammed Al Rajhi Waleed bin Abdullah Al Mogbel	Board Member Managing Director and CEO	Board members of the Company	Mineral water supply services Indemnity Insurance	Pricing contract for a period of one year automatically renewed for a similar period	Standard conditions without preferences	145,849

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

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
1.	Mohammed Abdul Aziz Al Rajhi and Sons Investment Company	Badr bin Mohammad Al Rajhi	Board Member	The member holds a director position in the Company	Lease contract of the Southern Regional Management Building	Seven years, automatically renewed for a similar period	Lease Contract	282,373
2.	Mohammed Abdul Aziz Al Rajhi and Sons Investment Company	Badr bin Mohammad Al Rajhi	Board Member	The member holds a director position in the Company	Lease contract for Abha direct sales office	Seven years, automatically renewed for a similar period	Lease Contract	46,000

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
3.	Mohammed Abdul Aziz Al Rajhi and Sons Investment Company	Badr bin Mohammad Al Rajhi	Board Member	The member holds a director position in the Company	Lease contract for ATM site	Five years, automatically renewed for a similar period	Lease Contract	40,250

3 - Insurance contracts

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
1.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Micro and Small Business Motor Insurance	Annual contract	without preferred conditions or benefits	104,884,653
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				
2.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Banker's Blanket Bond and Professional Indemnity Insurance	Annual contract	without preferred conditions or benefits	2,388,533
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
3.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Directors and Officers Insurance	Annual contract	without preferred conditions or benefits	3,040,061
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				
4.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Properties All Risk Policy	Annual contract	without preferred conditions or benefits	9,012,353
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				
5.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Fire and Allied Perils – Mortgage Insurance Agreement	Annual contract	without preferred conditions or benefits	1,380,740
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				

No.	Related party	Party associated with related party	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions amount for the year 2023
6.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Bancassurance Agreement	Annual contract	without preferred conditions or benefits	37,202,998
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				
7.	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Motor Insurance Agreement	Annual contract	without preferred conditions or benefits	520,357,347
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				
	Al-Rajhi Company for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board Member	Board members in the Company	Marine Cargo Open Cover	Annual contract	without preferred conditions or benefits	960,150
		Waleed bin Abdullah Al Mogbel	Managing Director and CEO	Managing Director and CEO is a Board member				
		Saleh bin Abdullah Al Lheidan	Senior Executive	Senior Executive is a member of Shariah Board				

Legal payments

Legal payments due by the Bank during the year consist of Zakat owed by shareholders, taxes, amounts paid to the General Organisation for Social Insurance, and costs of issuing visas, passports, etc.

The following table shows details of the legal payments made during the year:

Description	2023		Brief description	Reasons
	Paid	Due for payment by end of fiscal period (unpaid)		
Zakat	1,908,125,850	–	Paid	–
Taxes	151,452,042	–	Paid	–
VAT	134,594,192	–	Paid	–
General Organisation for Social Insurance	264,878,420	–	Paid	–
Visa and passport costs	266,673	–	Paid	–
Ministry of Labour fees	1,697,975	–	Paid	–

Basis for preparing the Bank's consolidated financial statements

The Bank prepares its consolidated financial statements in accordance with international accounting standards for financial institutions approved in the Kingdom of Saudi Arabia as well as other standards and publications issued by Saudi Organization for Chartered and Professional Accountants and the requirements of the Banking Control Law, the Companies Law applicable in the Kingdom of Saudi Arabia, and the Bank's Articles of Association.

Basel 3

The Bank publishes its quantitative and qualitative disclosure data on an annual basis. These disclosures are available on the Bank's website (www.alrajhibank.com.sa).

Auditors

During the Ordinary General Assembly of the shareholders, Messrs. Ernst & Young and KPMG Al Fozan & Partners were appointed as auditors for the Bank's accounts for the fiscal year 2023. The next General Assembly will appoint external auditors for the fiscal year 2024 based on the recommendation of the Audit and Compliance Committee in this regard.

The Board did not recommend replacing the external auditors before the end of the contract period.

Board of Directors' Acknowledgments:

According to the available information, the External Auditor's report, and current market data, the Board of Directors acknowledges the following:

- Accounting records have been prepared properly
- The internal control system has been prepared based on proper fundamentals and is executed effectively
- There is no doubt about the Bank's ability to continue its activity.
- The members of the Board of Directors did not engage in any business that competes with the Bank or any of its activity branches.

Conclusion

The Board of Directors expresses its pleasure and pride in the positive results achieved by the Bank during the year 2023. On this occasion, the Board would like to convey its appreciation to the Custodian of the Two Holy Mosques, HRH the Crown Prince, and our wise Government.

The Bank also extends its sincere thanks to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank, and the Capital Market Authority for their consistent cooperation and continuous support in developing the financial sector, which had a great impact and role in supporting the growth of the national economy.

The Board also seizes this opportunity to express its thanks and appreciation to the shareholders, the Bank's valued clients and its correspondents for their support, confidence and cooperation, which have had a positive impact on the Bank's progress and prosperity. The Board also conveys its sincere thanks and appreciation to all employees of the Bank for their sincere efforts and dedication. In addition, the Bank extends its appreciation to Shariah Board members for their loyal efforts and effective contributions to the Bank's business.

risk management

GRI 2-24

In 2023, the Risk Group continued to establish risk thresholds derived from the Bank's risk appetite, accurately identifying risks and their impact on the Bank's value creation process, and managing such risks with prudence and pragmatism in order to remain profitable and provide shareholders with sustainable returns.

The Risk Group is headed by the Chief Risk Officer, and functions within the Bank's risk framework and policies approved by the Board of Directors to manage risk across the entirety of the Bank's operations. The Group's reporting scope to the Board and related committees span credit risks and portfolio asset quality, operational risks, liquidity risks, market risks, reputational risks, technology and cybersecurity risks among others.

Al Rajhi Bank's Board Risk Management Committee (BRMC) supports the Board of Directors in their role of overseeing the Bank's performance in line with its risk appetite. The BRMC Charter is updated as per the Bank's Corporate Governance Manual, which applies the Principles of Governance for Banks issued by SAMA as well as the Corporate Governance Regulations issued by the Capital Market Authority, alongside market best practices.

The Bank's risk management framework is covered by the Bank's Internal Capital Adequacy Assessment Process (ICAAP), and details the Bank's risk appetite, risk management approach and primary risk controls. The ICAAP is submitted to SAMA on an annual basis following its review by

the BRMC and approval by the Board. The BRMC then reviews and provides recommendations to the Board on the Internal Liquidity Adequacy Assessment Plan (ILAAP), which is also submitted to SAMA on an annual basis. The BRMC also reviews the Credit and Provisioning Policy, Operational Risk Policies, Risk Appetite Statements, Market and Liquidity Risk Policies, Cyber Security Policy and other risk related policies, submitting recommendations for the Board's approval.

The Asset and Liability Committee (ALCO) in its advanced role as a steering committee for the Primary Dealership Committee (PDC) and Valuation Accounting Committee (VALCOM), continued to provide oversight on related activities, decisions and recommendations of PDC/VALCOM during the reporting period.

Types of risk

By the nature of its operation, Al Rajhi Bank is exposed to a number of risks conventionally, which it manages through a robust risk management framework. Various other external and internal factors also affect the Bank's risk profile on an ongoing basis, with the Risk Group identifying emerging risks and uncertainties with potential to increase the unpredictability of the operating environment. Aside from the conventional risks, cyber risk and financial crime continue to be the top concerns of the Risk Group during the reporting period.

Top 10 Risk Ranked using Dimensional Scorecard



Credit risk

Operating primarily as a Retail bank providing credit facilities to customers on-balance sheet and off-balance sheet, credit risk remained the largest and most common risk source for Al Rajhi Bank in 2023. However, given the solid nature of its portfolio, which has a bigger concentration of public sector customers with salary assignment, the credit risk also remained lowest among its peers during the reporting period.

Due to the potential a retail portfolio comprising a large number of individual customers with small loans has to hurt the Bank when in collective default, Al Rajhi Bank continued to conduct regular data integrity and portfolio monitoring in 2023, providing fair evaluation of individual borrowers and their capacity to repay the Bank.

A change in the retail portfolio mix initiated in December 2021 and continued throughout into 2023, saw a shift toward big-ticket loans such as mortgages, which posed a higher risk concentration per customer. Regular portfolio monitoring was conducted to build feedback loops and aid the retail business and Risk Group to implement effective mitigates and controls to minimise impacts.

This also led to a re-evaluation of the Bank's target markets, with the Risk Group shifting focus from high-risk segments where defaults and delinquency rates are higher than the Bank's risk appetite, towards low risk groups by targeting the higher income, salary aligned segment with stable employers.

The business verticals along with Risk and Compliance Groups worked together throughout the reporting period to ensure prompt compliance of all new and altered regulations and governing rules issued during 2023.

Accelerated digital banking posed credit risk from a customer acquisition perspective during the reporting period, which the Bank addressed by adopting a phased approach to manage credit risk at origination level, and ensure compliance of approved risk acceptance criteria. Stakeholders were consulted in the conceptualisation and implementation of the digitization process.

Al Rajhi Bank revamped its credit policy to serve the growth in non-retail business, aligning its risk appetite to expand into preferred and targeted industries under its corporate business. The Bank integrated a Loan Origination System (LOS) and revamped its rating models to automate the evaluation of customer credit worthiness using unique quantitative and qualitative criteria, alerting the Bank of any changes in the counterparty's credit risk profile. The Early Warning System (EWS) model geared to detect any weaknesses in the quality of portfolios was utilised to enable the Bank to proactively engage appropriate remedial measures through relationship teams or the Special Assets Management Unit to rectify any credit risk issues.

These actions resulted in non-performing loans (NPL) of the non-retail portfolio being contained at the same level during the reporting period, despite significant year-on-year portfolio growth. The Bank has developed a vigorous portfolio monitoring mechanism by proactively managing its portfolio delinquencies, which enabled corporate banking to reduce the number of past due obligations and Expired Credit Applications (ECA) well below expected risk appetite thresholds.

Different strategies were executed to ensure lower inflows going to late buckets, and address issues related to systems and logic to assess genuine defaults and find solutions. The Bank also introduced a full ecosystem to manage any potential default in the retail book, supported by a task force to oversee all related legal cases.

2023 saw a significantly reduced error rate and improved turnaround time through continued automation as well as policy and control function enhancements. With all credit decisions that will be executed via the Bank's credit decision engine, the error rate is expected to be further reduced towards an ambitious zero error rate once the phased implementation is completed by 2024.

Liquidity risk

During the year under review, Al Rajhi Bank continued to strengthen its liquidity risk management framework, ensuring robust controls and monitoring systems are in place. The Bank's proactive liquidity management has maintained a solid liquidity position, underpinned by a diversified funding mix and strong balance sheet. This has been achieved by exploring and introducing new funding solutions such as syndicated Murabaha, senior unsecured Sukuk and other funding tools. The Bank plans to continue enhancing its liquidity management strategies for balance sheet optimisation and to remain well-positioned to meet future challenges and opportunities.

Operational risk

Al Rajhi Bank reviews its Operational Risk Management Policy annually, in order to adhere to the new Basel and SAMA requirements to govern all significant aspects of operational risk management in a systematic and consistent manner. To further enhance the performance of its Enterprise Operational Risk Management System, the automation of a number of operational risk tools and activities were carried out during 2023; the automation of Risk Control and Self-Assessment (RCSA), reporting and monitoring of Key Risk Indicators (KRI), incident logging and Root Cause Analysis (RCA), action plans logging and monitoring, new products and services risk assessment, risk register maintenance as well as risk reporting.

The Bank is committed to strengthening its control environment and improving its operating platform efficiencies proactively, increasing reliance on the use of technology, and improving

risk management

Overview
Context
Business in Perspective
ESG Report
● **Corporate Governance**
Financial Statements
Supplementary

the Bank's collective knowledge and awareness of risk controls through various communication channels and training sessions.

To ensure a robust and consistent approach; operational risk coordinators have been assigned from all departments of the Bank and are responsible for implementation of the framework in coordination with the Operational Risk Management Department. The Group Operational Risk Management Committee (GORC) monitors and oversees operational risk issues.

The Bank's operational risk profile is regularly shared with Senior Management and the Board Risk Management Committee, which ensures a robust and consistent approach to operational risk management at all levels of the Organisation.

Market risk

In 2023, Al Rajhi Bank continued to enhance its risk measurements and reporting system to ensure compliance within a rapidly evolving regulatory landscape. The Bank most notably complied with recent Basel regulatory requirements and successfully implemented the new Not defined before Fundamental Review of the Trading Book (FRTB) framework for minimum capital requirement of market risk. This included defining policies and procedures to establish clear boundaries between the Trading and Banking books.

Concentration risk

The Bank's geographical diversity and loyal patronage of its varied customer base mitigates concentration risk by providing greater stability in the face of external impacts. In 2023, corporate banking enjoyed the advantage of a well-diversified portfolio across different emerging business segments, industries and wallet sizes, despite rising interest rates that may have impacted customer debt servicing capabilities. The Bank reviewed certain predefined financial parameters across its entire portfolio in order to assess rate hike impacts, and adopted a detailed action plan to resolve such a situation.

The Retail portfolio, too, remained highly diversified. The bank proactively created an ecosystem to support low-income segments whose disposable income may be affected by higher inflation, providing multiple options especially across its growing mortgage portfolio, which the Risk Group continued to monitor closely.

Cybersecurity risk

The rapid pace of digitalisation continued to expand the threat landscape in 2023, paving way for a consequential increase in cybersecurity risks. Al Rajhi bank currently employs multiple dynamic defences with a variety of preventive, detective, and incident response measures to proactively combat, detect, and address arising cybersecurity threats.

To ensure the effectiveness of its overall cybersecurity posture, Al Rajhi Bank introduced a number of advanced cybersecurity measures, by applying multi-layered cybersecurity principles. Compliance with the highest cybersecurity standards including those issued by the National Cybersecurity Authority (NCA), SAMA, CMA, and other regulatory bodies, has strengthened the Bank's current cybersecurity governance practices to ensure the confidentiality, integrity, and privacy of all customer information as well as business and technology processes.

Furthermore, the Bank is continuously improving its cybersecurity culture by implementing various training and awareness initiatives for both customers and employees to enhance their understanding of the cyberthreat landscape and guide them on ways to minimise their exposure to cyberthreats. To ensure the reliability and security of all business services, the Bank also continuously conducts cybersecurity assessments of its systems, applications, and networks.

Additionally, the Bank regularly engages its independent Internal and External Auditors to confirm the efficacy of the cybersecurity controls and assurance over compliance with national and international standards, including

the Payment Card Industry Data Security Standard (PCI DSS), SAMA, SWIFT, SARIE, and the NCA. Furthermore, the Bank's cyber security operations centre works on a 24/7 basis to continuously monitor and promptly respond to cybersecurity threats and attacks. By employing advanced cybersecurity measures, the Bank has demonstrated resilience against cyberattacks, with no cybersecurity-related failures or operational impacts to date.

Fraud risk

Fraud risk is the likelihood that an individual or organisation will intentionally deceive others for personal or financial gain, potentially causing financial, reputational, or legal harm. Given its continuous compliance with SAMA's Counter Fraud Framework, Al Rajhi Bank's counter fraud strategic approach is to ensure comprehensive coverage at Group level, enabling the Bank to proactively protect its customers and its business operations.

As part of the rapid growth in fraud trends and fraudster techniques, the Counter Fraud Department has dedicated its full efforts and resources to ensure the following:

- Enabling a culture of awareness of counter fraud risks and fraudulent techniques for both our customers and the Bank's business areas;
- Minimise fraud losses by utilising cutting edge technologies, techniques, and conducting deep analysis of transactions to identify unknown or suspected fraud trends and threats;
- Engage counter fraud professionals to ensure a clear baseline is developed and implemented in order to further enable the Kingdom's 2030 Vision;
- Establish awareness of the international fraud landscape to gain insight on international trends and techniques ahead of time; and
- Further develop Al Rajhi Bank's counter fraud resources by conducting both technical and non-technical training to allow for enhanced fraud vision internally and externally, and clear view of the international market fraud trends and techniques.

Information technology risk

In the dynamic landscape of Saudi and global financial institutions, technology risks have evolved to become a critical focal point as the dependence on various technologies has become highly pervasive, which necessitates the adoption of a highly comprehensive approach to managing IT risks. As the bank and its group members increasingly develop and integrate with advanced technologies to transform its operations, the spectrum of potential risks broadens, encompassing a variety of events with unintended impacts. These include sophisticated cyber-attacks, systemic failures, data breaches and compliance lapses, each carrying significant implications for business continuity, customer trust, and financial stability. Therefore, effectively managing technology risks in financial institutions is a complex yet essential endeavour. It requires a balanced approach that emphasises resilience, trust, agility, and the enablement of business, while ensuring that these institutions can not only navigate the challenges of the rapidly evolving technological landscape but also capitalise on its opportunities.

The primary goal in managing IT risks within Al Rajhi Bank is not merely to address these threats reactively but to proactively establish a resilient and trustworthy IT ecosystem. This involves a multifaceted strategy that ensures continuous agility and integration of processes while aligning them with the Bank's broader business objectives and regulatory requirements. By doing so, the Bank can leverage technology not only as a tool for operational efficiency but also as a strategic asset that drives innovation and competitive advantage. The concept of resilience extends beyond mere technical robustness. It encompasses the ability to anticipate, prepare for, respond to, and adapt to both gradual changes and sudden disruptions in the technological landscape. This resilience is underpinned by a culture of continuous improvement and learning, where lessons from past incidents inform future risk mitigation strategies. Hence, trust as a foundation for the Bank's customer relationships, operations, and services is based on its own safeguards set

around sensitive financial data, protection of customer privacy, and assurance of the integrity of financial transactions.

standards to ensure the maintenance of a highly trustworthy environment for both customers and Bank employees.

In 2023, the Bank continued to employ robust cybersecurity frameworks, regular audits, and compliance with evolving regulatory

Emerging risks

Apart from the conventional risks inherent in financial intermediation, a number of emerging risks were identified during the reporting period based on internal assessments and external market trends.

Emerging risk type	Description
Cyber risk and financial crime	Financial crime and fraud are increasing as online activity intensifies
Funding risk	Net interest margin (NIM) compression due to higher interest rates if the Bank needs to tap the market due to lack of diversification of funding sources and deficiencies in funding plans.
Credit risk	Financings booked in 2020 to 2022 will start to season in 2023 and 2024 including exposures to higher risk segments such as lower income and NST mortgage, as well as SME lending. In addition, accelerating growth in Emkan and Malaysia may further increase the credit risk profile of the Group.
Business digitalisation risk and change management	Inadequacy of selection of digital enablers for the Bank's digital agenda such as cloud computing, AI, and block chain, in the context of business objectives.
Disaster Recovery and Business Continuity Management (DR/BCM)	Given the increasing reliance on subsidiaries Tanfeeth and Neoleap with less mature DR/BCM capabilities, the Bank may not have the ability to respond immediately to disruptive events such as man-made, natural disasters or health emergencies that can affect the normal course of business.
Fixed long-term assets risk	Unanticipated change in market interest rates leading to an opposite change in the value of a mortgage.
Data Governance and Privacy	Inadequate data governance and private security procedures would limit the ability to acquire, store, transform, move, and use data assets. Banks should effectively address long-lasting deficiencies and have adequate and efficient risk data aggregation and reporting frameworks in place in order to support efficient steering by management bodies and to address supervisors' expectations, including in times of crisis.

Emerging risk type	Description
Talent risk	Organisation's succession challenges and ability to attract and retain top talent in a tightening talent market may limit ability to achieve operational targets.
Regulatory changes risk	As implementation of Basel regimes continue, which will lead to tighter numerator and risk-weighted asset (RWA) requirements, tightening of prudential rules emanating from macro-prudential or financial stability concerns remain, e.g. LTV, and concentration and sector caps.
Macroeconomic risk	Global and domestic market conditions including inflationary pressures would reduce customer demand and restrict growth opportunities leading to lower non-oil activity and lower oil revenues. Global Supply Chain Pressures and World Commodity Prices would pressure even more consumers' purchasing power and companies' capacity to repay their debts.

Credit rating

Al Rajhi Bank continued to strengthen its repute among international rating agencies by receiving stable to positive credit ratings for the year under review:

Rating agency	Rating (Long term)	Short term	Outlook
Standard and Poor	A-	A-2	STABLE
Moody's	A1	P-1	STABLE
Fitch	A-	F2	STABLE

Future outlook

With certain key risks expected to intensify during 2024, Al Rajhi Bank has all possible mitigating actions in place to overcome any potential challenges, and maintains a steady outlook for the next fiscal year. This resilience is largely due to solid capitalisation, improved profitability, and sound asset quality. Regulatory frameworks are also expected to be further enhanced during the next three years, including compliance with Environmental, Social, and Governance (ESG) standards and climate risk management frameworks following the conclusion of the UN Climate Change Conference COP28 in December 2023.




alrajhi
bank

financial statements

2025

Independent Auditors' Report	226
Consolidated Statement of Financial Position	232
Consolidated Statement of Income	234
Consolidated Statement of Comprehensive Income	235
Consolidated Statement of Changes in Shareholders' Equity	236
Consolidated Statement of Cash Flows	240
Notes to the Consolidated Financial Statements	242



independent auditors' report

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

GRI 2-5



Ernst & Young Professional Services

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



KPMG Professional Services

Riyadh Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarters in Riyadh

Independent Auditors' Report

To the Shareholders of Al Rajhi Banking and Investment Corporation
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Rajhi Banking and Investment Corporation (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 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 matter below, a description of how our audit addressed the matter is provided in that context:



Key audit matter

How our audit addressed the key audit matter

Expected credit loss allowance against financing

As at 31 December 2023, the Group's gross financing amounted to SAR 602,930.74 Mn. (2022: SAR 576,866.99 Mn.), against which an expected credit loss ("ECL") allowance of SAR 8,725.94 Mn. (2022: SAR 8,528.88 Mn.) was recorded.

We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:

1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of:
 - (a) exposures that have a significant increase in credit risk ("SICR") since their origination; and
 - (b) individually impaired/defaulted exposures.

- We obtained and updated our understanding of management's assessment of the ECL allowance in respect of financing, including the Group's internal rating model, accounting policy and methodology, as well as any key changes made during the year.
- We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9.
- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) in relation to:
 - the ECL model (including governance over the model; its validation during the year; any model updates performed during the year; and approval of the key inputs, assumptions and post model overlays, if any);
 - the classification of financing into Stages 1, 2 and 3 and timely identification of SICR, and the determination of default/individually impaired exposures;
 - the IT systems and applications supporting the ECL model; and
 - the integrity of data inputs into the ECL model.
- For a sample of customers, we assessed:
 - the internal ratings determined by management based on the Group's internal models, and considered these assigned ratings in light of external market conditions and available industry information. We also assessed whether these were consistent with the ratings used as inputs in the ECL model; and
 - management's computations of ECL.
- For selected financings, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.



Key audit matter

2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including, but not limited to, assessment of the financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios.

The application of these judgments continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2023.

Refer to the summary of material accounting policies note 3(e)(5) for the impairment of financial assets; note 2(e)(ii) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 7(e) which contains the disclosure of impairment against financing; and note 32-1a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.

How our audit addressed the key audit matter

- We assessed the appropriateness of the Group's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of financing facilities.
- We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios.
- We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023.
- Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables and forecasted macroeconomic scenarios; and of assumptions used in post model overlays.
- We assessed the adequacy of the disclosures in the consolidated financial statements.



Other Information included in the Bank's 2023 Annual Report

Management is responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs that are endorsed in Kingdom of Saudi Arabia; the applicable requirements of the Regulation for Companies, the Banking Control Law in the

Kingdom of Saudi Arabia and the Bank's By-Laws; and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

independent auditors' report

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 jointly responsible for our audit opinion.

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

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



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

Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank was not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2023.

Ernst & Young Professional Services



Waleed G. Tawfiq
Certified Public Accountant
License No. 437

KPMG Professional Services



Khalil Ibrahim Al Sedais
Certified Public Accountant
License No. 371

27 Rajab 1445 H
(08 February 2024)

consolidated statement of financial position

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

As at 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Assets			
Cash and balances with central banks	4	41,767,641	42,052,496
Due from banks and other financial institutions, net	5	9,506,673	25,655,929
Investments, net	6	133,375,565	101,325,425
Positive fair value of Shariah compliant derivatives	40	877,676	996,143
Financing, net	7	594,204,806	568,338,114
Other assets, net	12	11,716,865	8,511,877
Investment in associates	8	923,046	820,717
Investment properties, net	11	1,362,658	1,364,858
Property, equipment, and right of use assets, net	9	12,852,774	11,338,782
Goodwill and other intangible assets, net	10	1,510,568	1,214,547
Total assets		808,098,272	761,618,888

consolidated statement of financial position

As at 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions	13	97,246,889	70,839,117
Customers' deposits	14	573,100,607	564,924,688
Negative fair value of Shariah compliant derivatives	40	793,541	961,405
Sukuk issued	28	3,789,117	-
Other liabilities	15	26,408,687	24,668,643
Total liabilities		701,338,841	661,393,853
Equity			
Share capital	16	40,000,000	40,000,000
Statutory reserve	17	33,442,996	29,287,706
Other reserves	17	(96,606)	(427,569)
Retained earnings		16,913,041	9,864,898
Proposed dividends	25	-	5,000,000
Equity attributable to shareholders of the Bank		90,259,431	83,725,035
Tier I Sukuk	27	16,500,000	16,500,000
Total equity		106,759,431	100,225,035
Total liabilities and equity		808,098,272	761,618,888

The accompanying Notes from 1 to 44 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

consolidated statement of income

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

For the year ended 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Income			
Gross financing and investment income	19	38,737,616	28,201,631
Gross financing and investment return	19	(17,468,497)	(6,028,944)
Net financing and investment income	19	21,269,119	22,172,687
Fee income from banking services	20	9,394,600	8,767,272
Fee expenses from banking services	20	(5,168,950)	(4,143,132)
Fee from banking services, net	20	4,225,650	4,624,140
Exchange income, net		1,246,450	1,162,162
Other operating income, net	21	790,190	616,030
Total operating income		27,531,409	28,575,019
Expenses			
Salaries and employees' related benefits	22	3,525,096	3,395,191
Depreciation, amortisation and impairment	9,10,11	1,578,009	1,330,119
Other general and administrative expenses	23	2,394,841	2,725,760
Total operating expenses before credit impairment charge		7,497,946	7,451,070
Impairment charge for financing and other financial assets, net	7	1,504,178	2,001,259
Total operating expenses		9,002,124	9,452,329
Net income for the year before Zakat		18,529,285	19,122,690
Zakat Expense	43	(1,908,126)	(1,971,865)
Net income for the year		16,621,159	17,150,825
Basic and diluted earnings per share (SAR)	24	3.95	4.24

The accompanying Notes from 1 to 44 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

consolidated statement of comprehensive income

For the year ended 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Net income for the year		16,621,159	17,150,825
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income in subsequent periods:			
- Net change in fair value (FVOCI equity investment)	17	(9,369)	(669,175)
- Actuarial gain on re-measurement of employees' end of service benefits liabilities ("EOSB")	17,30	2,821	231,824
- Share in FVOCI from associate	17	18,333	1,316
Items that may be reclassified to the consolidated statement of income in subsequent periods:			
- Exchange difference on translating foreign operations	17	(42,712)	(38,229)
- Net change in fair value of FVOCI Sukuk and Structured products investments	17	307,054	5,449
- Cash flow hedge effective portion of change in the fair value		57,788	(41,975)
Total other comprehensive income (loss) for the year recognised in shareholders' equity		333,915	(510,790)
Total comprehensive income for the year		16,955,074	16,640,035

The accompanying Notes from 1 to 44 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

consolidated statement of changes in shareholders' equity

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

For the year ended 31 December 2023

	Notes	Share capital (SAR '000)	Statutory reserve (SAR '000)	
Balance at 31 December 2022		40,000,000	29,287,706	
Net income for the year		-	-	
Net change in fair value of FVOCI Equity investments	17	-	-	
Net change in fair value of FVOCI Sukuk investments and Structured products investments	17	-	-	
Share in FVOCI from associate	17	-	-	
Actuarial gain on re-measurement of employees' "EOSB"		-	-	
Exchange difference on translation of foreign operations	17	-	-	
Cash flow hedge effective portion of change in the fair value		-	-	
Net other comprehensive income (loss) recognised in shareholders' equity		-	-	
Total comprehensive income for the year		-	-	
Disposal of FVOCI equity instruments		-	-	
Tier I Sukuk costs		-	-	
Transfer to statutory reserve	17	-	4,155,290	
Dividend for annual year 2022	25	-	-	
Interim dividend for the first half of 2023	25	-	-	
Balance at 31 December 2023		40,000,000	33,442,996	

consolidated statement of changes in shareholders' equity

	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank (SAR '000)	Tier I Sukuk	Total equity
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
	(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035
		16,621,159	-	16,621,159	-	16,621,159
	(9,369)	-	-	(9,369)	-	(9,369)
	307,054	-	-	307,054	-	307,054
	18,333	-	-	18,333	-	18,333
	2,821	-	-	2,821	-	2,821
	(42,712)	-	-	(42,712)	-	(42,712)
	57,788	-	-	57,788	-	57,788
	333,915	-	-	333,915	-	333,915
	333,915	16,621,159	-	16,955,074	-	16,955,074
	(2,952)	2,952	-	-	-	-
	-	(820,678)	-	(820,678)	-	(820,678)
	-	(4,155,290)	-	-	-	-
	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
	-	(4,600,000)	-	(4,600,000)	-	(4,600,000)
	(96,606)	16,913,041	-	90,259,431	16,500,000	106,759,431

consolidated statement of changes in shareholders' equity

238

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

For the year ended 31 December 2022

	Notes	Share capital (SAR '000)	Statutory reserve (SAR '000)
Balance at 31 December 2021		25,000,000	25,000,000
Net income for the year		-	-
Net change in fair value of FVOCI Equity investments	17	-	-
Net change in fair value of FVOCI Sukuk investments and Structured products investments	17	-	-
Share in FVOCI from associates	17	-	-
Actuarial gain on re-measurement of employees' "EOSB"		-	-
Exchange difference on translation of foreign operations	17	-	-
Cash flow hedge Effective portion of change in the fair value		-	-
Net other comprehensive income recognised in shareholders' equity		-	-
Total comprehensive income for the year		-	-
Disposal of FVOCI equity instruments		-	-
Tier I Sukuk issued	27	-	-
Tier I Sukuk costs		-	-
Bonus shares Issued	26	15,000,000	-
Transfer to statutory reserve	17	-	4,287,706
Proposed dividends for the year 2022	25	-	-
Balance at 31 December 2022		40,000,000	29,287,706

The accompanying Notes from 1 to 44 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

consolidated statement of changes in shareholders' equity

	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank (SAR '000)	Tier I Sukuk	Total equity
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
	282,107	16,999,457	-	67,281,564	-	67,281,564
	-	17,150,825	-	17,150,825	-	17,150,825
	(669,175)	-	-	(669,175)	-	(669,175)
	5,449	-	-	5,449	-	5,449
	1,316	-	-	1,316	-	1,316
	231,824	-	-	231,824	-	231,824
	(38,229)	-	-	(38,229)	-	(38,229)
	(41,975)	-	-	(41,975)	-	(41,975)
	(510,790)	-	-	(510,790)	-	(510,790)
	(510,790)	17,150,825	-	16,640,035	-	16,640,035
	(198,886)	198,886	-	-	-	-
	-	-	-	-	16,500,000	16,500,000
	-	(196,564)	-	(196,564)	-	(196,564)
	-	(15,000,000)	-	-	-	-
	-	(4,287,706)	-	-	-	-
	-	(5,000,000)	5,000,000	-	-	-
	(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035

consolidated statement of cash flows

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

For the year ended 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Cash Flows from operating activities			
Income before Zakat		18,529,285	19,122,690
Adjustments to reconcile net income before zakat to net cash from operating activities:			
(Gain)/loss on investments held at fair value through statement of income (FVIS)	21	(32,051)	208,766
Depreciation on property, equipment and right of use assets, net	9	1,380,865	1,132,137
Depreciation on investment properties	11	25,460	47,669
Amortisation/impairment of goodwill and other intangibles	10	171,684	150,313
Gain on sale of property and equipment, net	21	(9,851)	(1,275)
Impairment charge for financing and other financial assets, net	7	1,504,178	2,001,259
Share in profit of associates	21	(87,866)	(20,237)
Dividend income	21	(136,884)	(128,097)
Accretion/amortisation relating to debt investments, net		(94,767)	37,146
Profit charge against lease obligations		32,232	40,118
Fair value adjustment for Shariah compliant derivatives		(49,397)	6,209
Rental income from investment properties	21	(98,077)	(106,720)
(Increase)/decrease in operating assets			
Statutory deposit with SAMA and other central banks		(2,088,863)	(4,115,705)
Due from banks and other financial institutions		4,759,466	4,738,483
Financing, net		(27,370,870)	(117,508,716)
FVIS investments		(252,238)	(4,527)
Other assets, net		(3,247,700)	(1,027,724)
Increase/(decrease) in operating liabilities			
Due to banks and other financial institutions		26,407,772	52,886,977
Customers' deposits		8,175,919	52,852,475
Other liabilities		1,908,356	(333,906)
Profit payment against lease obligations		(32,232)	(40,118)
Net cash generated from operating activities before Zakat		29,394,421	9,937,217
Zakat paid	43	(1,971,690)	(2,560,423)
Net cash generated from operating activities		27,422,731	7,376,794

consolidated statement of cash flows

For the year ended 31 December	Notes	2023 (SAR '000)	2022 (SAR '000)
Cash flows from investing activities			
Purchase of property and equipment	9	(3,193,209)	(2,380,777)
Proceeds from disposal of property and equipment		441,278	98,404
Goodwill and other intangible assets		(467,705)	(425,867)
Purchase of FVOCI investments		(14,874,031)	(154,524)
Proceeds from disposal of FVOCI investments		11,550	4,670,175
Proceeds from maturities of investments held at amortised cost		3,961,479	10,112,274
Purchase of investments held at amortised cost		(20,390,840)	(32,637,882)
Investment in associates		-	(487,000)
Purchase of Investment properties		(23,260)	(1,058)
Subsidiary acquisition net of cash		-	(539,265)
Dividend income received	21	136,884	128,097
Rental income from investment properties	21	98,077	106,720
Net cash used in investing activities		(34,299,777)	(21,510,703)
Cash flows from financing activities			
Dividends paid	25	(9,600,000)	-
Tier I Sukuk costs		(820,678)	(196,564)
Tier I Sukuk issuance	27	-	16,500,000
Payment against lease obligation		(254,901)	(267,165)
Sukuk issued	28	3,789,117	-
Net cash (used in)/generated from financing activities		(6,886,462)	16,036,271
Net (decrease)/increase in cash and cash equivalents		(13,763,508)	1,902,362
Cash and cash equivalents at the beginning of the year		26,199,150	24,296,788
Cash and cash equivalents at end of the period	29	12,435,642	26,199,150
Financing and investment income received during the year		37,849,749	26,952,831
Financing and investment return paid during the year		16,308,742	4,516,261
Supplemental Non-cash transactions:			
ROU assets		133,075	39,583
Lease Liability		166,677	62,523
Net change in fair value of FVOCI investments		297,685	(705,701)
Remeasurement gain on EOSB		2,821	231,824
Investment in associate from subsidiary acquisition		-	19,863

The accompanying Notes from 1 to 44 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

1 General

(a) Incorporation and operation

Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company, (the "Bank"), was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 1407H (corresponding to 23 June 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Bank
8467 King Fahd Road – Al Muruj Dist.
Unit No 1
Riyadh 12263 - 2743
Kingdom of Saudi Arabia

The objectives of the Bank are to carry out banking and investment activities in accordance with its Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia through 545 branches (2022: 557) including the branches outside the Kingdom and 20,878 employees (2022: 19,964 employees). The Bank has established certain subsidiary companies (together with the Bank hereinafter referred to as the "Group") in which it owns all of their shares as set out below [Also see Note 2 (b)]:

Name of subsidiaries	Shareholding		Description
	2023 %	2022 %	
Al Rajhi Capital Company – KSA	100	100	A Saudi Closed Joint Stock Company authorized by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging, and Custody.
Management and Development for Human Resources Company – KSA	100	100	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.
Al Rajhi Bank – Kuwait	100	100	A foreign branch registered with the Central Bank of Kuwait.
Al Rajhi Bank – Jordan	100	100	A foreign branch operating in Hashemite Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Shari'a rules and under the applicable banking law.

notes to the consolidated financial statements

Name of subsidiaries	Shareholding		Description
	2023 %	2022 %	
Tuder Real Estate Company – KSA	100	100	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.
Al Rajhi Corporation Limited – Malaysia	100	100	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Emkan Finance Company – KSA	100	100	A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.
Tawtheeq Company – KSA	100	100	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organize contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd. – Cyman Islands	100	100	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
International Digital Solutions Co. (Neoleap) – KSA	100	100	A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.
Ejada System Limited Co. – KSA	100	100	A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, and system analysis and senior management consultation services.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

(b) Shari'a Authority

As a commitment from the Bank for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Bank has established a Shari'a Authority to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority has reviewed the Bank's activities and issued the required decisions thereon.

The Bank is regulated by the Saudi Central Bank (SAMA).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared

- in compliance with 'International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and
- the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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

(b) Basis of measurement and preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the following items in the consolidated statement of financial position:

- Derivatives are measured at fair value;
- Financial instruments designated as Fair Value through Profit or Loss ("FVIS") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Cash settled share-based payments are measured at fair value; and
- Defined benefit obligations are recognized at the present value of future obligations using the Projected Unit Credit Method.
- Financial assets or liabilities that are hedged through a fair value hedging relationship, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Group presents its consolidated statement of financial position in order of liquidity.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

(d) Functional and presentation currency

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

(e) Critical accounting judgements, estimates and assumptions

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

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

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

- Fair value measurement (Note 34)
- Credit risk management (Note 32.1.a)
- Credit risk grades (Note 32.1.a.ii)
- Classification of investments at Amortized cost (Note 3.e.1)
- Government grant (Note 3.c)
- Impairment test of intangible and goodwill (Note 10)
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (Note 18)

(i) Judgement of equity vs liability for Tier I Sukuk

The determination of equity classification of Tier I Sukuk requires significant judgement as certain clauses of the Offering Circular require

interpretation. The Group classifies as part of equity the Tier I Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to Sukuk holders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

(ii) Expected credit losses on financial assets

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models such as Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default rate ("LGD"), that are considered accounting judgments and estimates include:

The selection of an estimation technique or modelling that are considered accounting judgements:

- The Group's internal credit grading model, which assigns Probability of Default ("PDs") to the individual grades,

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment,
- The segmentation of financial assets when their ECL is assessed on a collective basis,
- Development of ECL models, including the various formulas and the choice of inputs,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

iii. Determination of control and significant influence over investees

The control indicators are subject to management's judgements, and are set out in (Notes 3.b and 8).

Investment funds management:

The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund

(comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

3 Material accounting policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual (consolidated) financial statements for the year ended 31 December 2022. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2023 replacing, amending, or adding to the corresponding accounting policies set out in 2022 annual consolidated financial statements.

notes to the consolidated financial statements

New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the annual reporting period beginning on 1 January 2023 and are adopted by the Group, however, they do not have any impact on the consolidated financial statements of the year unless otherwise stated below:

Standard, interpretation and amendments	Description	Effective date
IFRS 17, ("Insurance contracts")	This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts.	1 January 2023
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.	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction –	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IAS 12 – International tax reform – pillar two model rules –	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024

notes to the consolidated financial statements

248

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

Standard, interpretation and amendments	Description	Effective date
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1 and IFRS S2, General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/ effective date deferred indefinitely)
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	1 January 2025

(b) Government grants

The Group recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 – Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 – Accounting for Government grant. The government grant is recognised in the statement of income on a systematic basis over the period in which the Group recognises as expenses for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

(c) Financial assets and financial liabilities

(1) Classification of financial assets

On initial recognition, a financial asset is classified and measured at: Amortized Cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Statement of Income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Financial asset at amortized cost:

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial asset at FVOCI:

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

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

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

An Equity Instrument; the Group on initial recognition, may irrevocably elect to present subsequent changes in fair value in OCI for an equity investment that is not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVIS:

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVIS.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVIS if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Reclassification of financial assets

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 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;
- the compensation made to the managers of the business – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the

Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

Assessments whether contractual cash flows are solely payments of principal and profit (SPPP)

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

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

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

Designation at fair value through statement of income: At initial recognition, the Bank has designated certain financial assets at FVIS.

The Group deploys profit based products including Mutajara, installment sales and Murabaha to its customers in compliance with Shari'a rules. The Group classifies its Principal financing and Investment as follows:

Financing: These financings represent facilities granted to customers. These financings mainly constitute four broad categories i.e. Mutajara, Installment sales, Murabaha and credit cards. The Group classifies these financings at amortized cost as they are held to collect contractual cash flow and pass SPPP test.

Due from banks and other financial institutions: These consists of placements with financial Institutions (FIs). The Group classifies these balances due from banks and other financial institutions at amortized cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Murabaha with SAMA): These investments consists of placements with the Saudi Central Bank (SAMA). The Group classifies these investments at amortized cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Sukuk): These investments consists of Investment in various Sukuk. The Group classifies these investments at amortized cost and FVOCI except for those Sukuk which fails SPPP criterion, which are classified at FVIS.

Equity Investments: These are the strategic equity investments which the Group does not expect to sell, for which Group has made an irrevocable election on the date of initial recognition to present the fair value changes in other comprehensive income.

Investments (Mutual Funds): The investments consist of Investments in various Mutual Funds. The Group classifies these investment at FVIS as these investments fail SPPP criterion.

Investments (Structured Products): These investments consists of Investment in various structured product. Structured products are Sukuks with an additional embedded feature which could be Range accrual, Credit linked and Floaters. The Group classifies these investments at amortized cost and FVOCI except for those structured products which fails SPPP criterion, which are classified at FVIS.

(2) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Profit Rate "EPR".

All amounts due to banks and other financial institutions and customer deposits are initially recognized at fair value less transaction costs. Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss.

(3) Derecognition

Derecognition of financial assets

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

On derecognition of a financial asset (debt instrument), the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

(ii) any cumulative gain or loss that had been recognized in OCI, is recognized in consolidated statement of income.

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

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

Any cumulative gain/loss recognized in OCI, among other reserve, in respect of equity investment securities designated as at FVOCI is not recognized in consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognized in OCI in respect of such equity investment securities are transferred to retained earnings on disposal. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(4) Modifications of financial assets and financial liabilities

Modified financial assets

If the terms of a financial asset are modified, the Group evaluates whether the contractual cash flows of the modified asset are substantially different. If the contractual cash flows are substantially different than it was originated, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the contractual cash flows of the modified asset carried at amortized cost are not substantially different than it was originated, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. For floating-rate financial assets, the original effective profit rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Modified financial liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognized in consolidated statement of income.

Profit rate benchmark reform

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

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

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

(5) Impairment

Impairment of financial assets

The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and financing income is subsequently recognised based on a credit-adjusted ("EPR"). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- Due from banks and other financial institution;
- financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and
- Financing commitments issued.
- No impairment loss is recognized on equity at FVOCI investments.
- The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
 - debt investment securities that are determined to have low credit risk at the reporting date; and
 - other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers Sukuk to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial assets, for which 12-month ECLs are recognized, are referred to as "Stage1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as "Stage 2 financial assets". Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not yet credit-impaired.

Financial assets for which the lifetime ECLs are recognized and that are credit-impaired are referred to as "Stage 3 financial assets".

Measurement of ECL

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

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

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

- financial assets other than POCI financial assets and lease receivables: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- Lease receivables: the discount rate used in measuring lease receivables;
- Undrawn financing commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the financing commitment; and
- financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD"),
- Loss given default ("LGD"), and
- Exposure at default ("EAD").

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Group categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets;
- Stage 2: Underperforming assets; and
- Stage 3: Credit-impaired assets.

The three stage categories of financial assets are more elaborated in (Note 32-1-a.v)

To evaluate a range of possible outcomes, the Group formulates various scenarios. For each scenario, the Group derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

For how financial assets and ECLs are allocated among the three credit stages, refer to (Note 5) for due from banks and financial institutions, (Note 6) for investments, (Note 7) for financing facilities, and (Note 18) Commitments and contingencies.

Restructured financial assets

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

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or past due event;

- the restructuring of a financing facility by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financing facility that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired. In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of financing being restructured, resulting in holders suffering losses through voluntary or mandatory financing forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intents, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Credit cards and other revolving facilities

The Bank's products offering include a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The profit rate used to discount the ECL for credit cards is based on the average effective profit rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged profit. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products.

The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECLs are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- financing commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financing and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses, net" in the consolidated statement of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or market securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

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

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of

this practice, the residential properties under legal repossession processes are not recorded in the consolidated Statement of financial position.

(6) Financial guarantees and financing commitments, letters of credit

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

The premium received is recognised in the consolidated income statement in net fees and yield income on a straight line basis over the life of the guarantee.

Financing commitments and letter of credits' are firm commitments under which, over the duration of the commitments, the Bank is required to provide credit under pre-specified terms and conditions. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and financing commitments, where the financing agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

Financial guarantees issued or financing commitments to provide financing at a below market profit rate are initially measured at fair value. Subsequently, they are measured at the higher of the ECL determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15.

- The Bank issued no financing commitments that are measured at FVIS.
- Liabilities arising from financial guarantees and financing commitments are included within provisions.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

(f) Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts, profit rate swaps and FX swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. In the ordinary course of business, the Group utilises the following derivative financial instruments for trading purposes:

(i) Derivatives held for trading

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 Gain/(Loss) on FVIS Financial Instruments, net. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

(ii) Hedge accounting

As indicated in the accounting policies below, the Group elected to account for hedge accounting under IFRS 9.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a

particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

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

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that

could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability. When the hedging instrument is expired or sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss recognized in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

(iii) Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors and within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of profit rate risk by setting limits on profit rate gaps for stipulated periods. Asset and liability profit rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce profit rate gap within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging, other than portfolio hedges for profit rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses profit rate swaps and profit rate futures to hedge against the profit rate risk arising from specifically identified fixed profit-rate exposures.

The Bank also uses profit rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Possible sources of ineffectiveness are as follows:

- difference between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedge item and hedge instrument, as cash collateralized profit rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralized profit rate swaps but not the hedge items; and
- the effects of the forthcoming reforms to USD LIBOR, because these might take effect at a different time and have a different impact on the hedged item e.g. (the fixed-rate mortgages) and the hedging instrument e.g. (the derivatives used to hedge those mortgages).

(iv) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- (a) the host contract is not an asset in the scope of IFRS 9;
- (b) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- (c) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value. with all changes in fair value recognized in statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Revenue recognition

The following specific recognition criteria must be met before revenue is recognized.

Income from Mutajara, Murabaha: investments held at amortized cost, Installment sale and credit cards services is recognized based on the effective profit rate basis on the outstanding balances. The effective profit rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective yield, the Group estimates future cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees from banking services are recognized when the service has been provided.

Fees that are integral to the effective profit rate on a financial asset or financial liability are included in the effective Gross financing and investment income/return as applicable.

Financing commitment fees; that are likely to be drawn down and other facility related fees are deferred above certain threshold and, together with the related direct cost, are recognized as an adjustment to the yeiled using the effective profit rate on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.

Fees from banking services; Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, at a point in time or over the period when the service is being provided i.e. related performance obligation is satisfied.

Fees received for asset management and brokerage activities; wealth management, financial planning, custody services, capital market trading brokerage services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided i.e. related performance obligation is satisfied. Asset management fees related to investment funds are recognized over the period the service is being provided. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognized. Wealth management and custody services fees that are continuously recognized over a period of time.

Dividend income; is recognized when the right to receive income is established which is generally when the shareholders approve the dividend. Dividends are reflected as a component of net trading income, net income from FVIS financial instruments or other operating income based on the underlying classification of the equity instrument.

Foreign currency exchange income/loss; is recognized when earned/incurred.

Net trading income; results from trading activities and include all realised and unrealised gains and losses from changes in fair value and related gross investment income or expense, dividends for financial assets and financial liabilities held for trading and foreign exchange differences.

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to payment service system, share trading services, remittance business, SADAD and Mudaraba (i.e. subscription, management and performance fees), should be recognized at the point when services are rendered i.e. when performance obligation is satisfied.

(k) Customers' deposits

Customer deposits are financial liabilities that are initially recognized at fair value less transaction cost, being the fair value of the consideration received, and are subsequently measured at amortized cost.

(l) 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 collateralised financing and the counter party liability for amounts received under these agreements is included in due to banks and other financial institutions, as appropriate. The difference between the sale and repurchase price is treated as financing and investment expense and recognized over the life of the repurchase agreement on an effective yield basis.

Underlying assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the underlying assets. Amounts paid under these agreements are included in cash and balances with SAMA. The difference between the purchase and resale price is treated as Income from investments and financing and recognized over the life of the reverse repurchase agreement on an effective profit basis.

(m) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 'cash and cash equivalents' include notes and coins on hand, balances with SAMA (excluding statutory deposits) and due from banks and other financial institutions with original maturity of 90 days or less from the date

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

of acquisition which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortized cost in the statement of financial position

(n) Share-based payments

The Group's founders had established a share-based compensation plan under which the entity receives services from the eligible employees as consideration for equity instruments of the Group which are granted to the employees.

(o) Mudaraba funds

The Group manages out Mudaraba transactions on behalf of its customers, and are treated by the Group as being restricted investments. These are included as off balance sheet items. The Group's share of profits from managing such funds is included in the Group's consolidated statement of income.

(p) Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance

consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Group's functional currency. Each subsidiary determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are translated into SAR at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the date of the consolidated statement of financial position.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective profit rate and payments during the year and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Realised and unrealised gains or losses on exchange are credited or charged to the consolidated statement of comprehensive income.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognized in OCI. The monetary assets and liabilities of foreign subsidiaries are translated into SAR at rates of exchange prevailing at the date of the consolidated statement of financial position. The statements of income of foreign subsidiaries are translated at the weighted average exchange rates for the year.

(q) Day 1 profit or loss

Where a transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognised.

In some cases, an entity does not recognize a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input), nor based on a valuation technique that uses only data from observable markets. In such cases, the entity shall disclose by class of financial asset or financial liability:

- its accounting policy for recognising in statement of income the difference between the fair value at initial recognition, and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability.
- The aggregate difference yet to be recognized in statement of income at the beginning and end of the period and a reconciliation of changes in balance of this difference.

(r) Trade date

All regular way purchases and sales of financial assets are recognized and derecognized on the trade date (i.e. the date on which the Group commits to purchase or sell the assets). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and financial liabilities (including assets and liabilities

designated at fair value through statement of income) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(s) Offsetting financial instruments

Financial assets and financial liabilities are offset and are reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts, and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(t) 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.

(u) Zakat and taxes

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the consolidated statement of income. ZATCA has prescribed a new methodology for calculation on Zakat of financing activities effective 1 January 2019, where previously the Zakat was treated in the consolidated statement of changes in equity. Due accruals have been made for the obligation

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

as at 31 December 2020. Zakat is not accounted for as an income tax and as such no deferred tax assets and liabilities are calculated relating to Zakat.

– Value Added tax ("VAT")

The Group is a taxpayer for value added tax as per the Saudi law and its responsibility to collect VAT Output from the customers for qualifying services provided, and makes VAT Input payments to its vendors for qualifying payments. On a monthly basis, the net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.]

– Withholding tax

Withholding tax is subject to any payment to non-resident vendors for services rendered and goods purchased with certain criteria and rate according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

(aa) Investment management services

The Group provides investment management services to its customers, through its subsidiary which include management of certain mutual funds. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the Group's consolidated financial statements. The Group's share of these funds is included under FVIS investments. Fees earned are disclosed in the consolidated statement of income.

(bb) Bank's products definition

The Group provides its customers with banking products based on interest avoidance concept and in accordance with Shari'a regulations. The following is a description of some of the financing products:

Mutajara financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, accordingly the client becomes debtor to the Group with the sale amount and for the period agreed in the contract

Installment sales financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price. Accordingly the client becomes a debtor to the Group with the sale amount to be paid through installments as agreed in the contract.

Murabaha financing:

It is a financing agreement whereby the Group purchases a commodity or asset and sells it to the client with a price representing the purchase price plus a profit known and agreed by the client which means that the client is aware of the cost and profit separately.

(cc) Profit sharing investment account (PSIA)

The Bank offers unrestricted investment accounts based on fully Sharia compliant concept.

In Mudarabah based accounts, the Bank (Mudarib) manages Investment Account holders' ("IAH") funds along with its own share of investment by investing through unrestricted joint investment pools. Funds from these pools are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.

Under Wakala arrangement, Bank accepts funds from investors ("Muwakil") as Wakeel and invests in Sharia compliant assets. Expected profit payout is mentioned to investors upfront while

notes to the consolidated financial statements

any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel bears the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss is borne by the investor or Muwakil. The Bank maintains necessary profit equalization reserves as required by SAMA.

Any profits accrued from the pool investments are shared between the Bank and IAH on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank relating to the pools are charged to pools. In case of loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

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

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

4 Cash and balances with Central Banks

Cash and balances with Saudi Central Bank ("SAMA") and other central banks comprise of the following:

	2023 (SAR '000)	2022 (SAR '000)
Cash in hand	6,502,729	6,672,064
Statutory deposit	35,008,098	32,919,235
Balances with central banks (current accounts)	256,814	408,197
Mutajara with SAMA	-	2,053,000
Total	41,767,641	42,052,496

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other central banks at stipulated percentages of its deposits liabilities calculated on monthly averages at the end of reporting period.

The above statutory deposits are not available to finance the Group's day-to-day operations and therefore are not considered as part of cash and cash equivalents (Note 29) when preparing the consolidated statement of cash flows.

All these balances are stage 1.

5 Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

	2023 (SAR '000)	2022 (SAR '000)
Current accounts	3,179,877	4,765,889
Mutajara	6,331,071	20,894,850
Less: Allowance for expect credit losses	(4,275)	(4,810)
Total	9,506,673	25,655,929

notes to the consolidated financial statements

2023	Gross carrying amount (SAR '000)	Allowance for expected credit loss (SAR '000)	Net carrying amount (SAR '000)
Investment grade (credit rating AAA to BBB)	7,926,017	(1,798)	7,924,219
Non-investment grade (credit rating BB+ to B-)	589,996	(2,465)	587,531
Unrated	994,935	(12)	994,923
Total	9,510,948	(4,275)	9,506,673

2022	Gross carrying amount (SAR '000)	Allowance for expected credit loss (SAR '000)	Net carrying amount (SAR '000)
Investment grade (credit rating AAA to BBB)	25,104,205	(4,810)	25,099,395
Non-investment grade (credit rating BB+ to B-)	478,459	–	478,459
Unrated	78,075	–	78,075
Total	25,660,739	(4,810)	25,655,929

The credit quality of due from banks and other financial institutions is managed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired and are classified in stage 1. There were no movements in staging during year.

6 Investments, net

(a) Investments comprise the following:

	2023 (SAR '000)	2022 (SAR '000)
Investments held at amortised cost		
Murabaha with Saudi Government and SAMA	20,067,953	22,696,693
Sukuk	87,962,033	70,608,347
Structured products	2,941,573	1,033,894
Less: Impairment	(70,234)	(43,294)
Total investments held at amortised cost	110,901,325	94,295,640
Investments held as FVIS		
Mutual funds	2,525,681	2,214,056
Sukuk	122,374	159,591
Structured products	785,242	737,551
Equity investments	118,803	156,613
Total FVIS investments	3,552,100	3,267,811
FVOCI investments		
Sukuk	14,535,530	2,132,880
Structured products	1,106,286	111,438
Equity investments*	3,282,168	1,517,874
Less: Impairment	(1,844)	(218)
Total FVOCI investments	18,922,140	3,761,974
Investments, net	133,375,565	101,325,425

The Bank, under repurchase agreements, pledges with other banks Sukuk securities that include government Sukuk. The fair values of those Sukuk pledged as collateral with financial institutions as at 31 December 2023 is SAR 78,556 Mn. (31 December 2022 – SAR 71,567 Mn.) and the related balances of the repurchase agreements pledge is SAR 33,345 Mn. (31 December 2022 – SAR 52,269 Mn.).

The designated FVIS investments included above are designated upon initial recognition as FVIS and are in accordance with the documented risk management strategy of the Group.

*The Group holds SAR 2,360 Mn. (31 December 2022 – 1,159 Mn.) in investments in Tier I Sukuk out of the total Equity investments.

notes to the consolidated financial statements

All investments held at amortised cost are neither past due nor impaired as of 31 December 2023 and 2022, and are classified in stage 1. There were no movements in staging during year.

The Bank has consolidated two international mutual funds where the Bank owns 100% of the two funds equity. The investments of these funds are included in the above note and accounted for as fair value through income statement.

Equity investment securities designated as at FVOCI

The Group has designated investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

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

2023	Quoted (SAR '000)	Unquoted (SAR '000)	Total (SAR '000)
Murabaha with Saudi Government and SAMA	–	20,067,953	20,067,953
Sukuk	86,412,338	16,135,521	102,547,859
Structured products	–	4,833,101	4,833,101
Equity investments	1,867,370	1,533,601	3,400,971
Mutual Funds	32,373	2,493,308	2,525,681
Total	88,312,081	45,063,484	133,375,565

2022	Quoted (SAR '000)	Unquoted (SAR '000)	Total (SAR '000)
Murabaha with Saudi Government and SAMA	–	22,696,693	22,696,693
Sukuk	64,238,386	8,618,920	72,857,306
Structured products	–	1,882,883	1,882,883
Equity investments	960,221	714,266	1,674,487
Mutual Funds	24,690	2,189,366	2,214,056
Total	65,223,297	36,102,128	101,325,425

(c) Credit quality of investments

	2023 (SAR '000)	2022 (SAR '000)
Murabaha with Saudi Government and SAMA	20,067,953	22,696,693
Sukuk – Investment grade	91,071,834	65,170,442
Structured products – Investment grade	4,833,102	1,882,883
Sukuk – Non-Investment grade	5,640,904	4,546,669
Sukuk unrated	5,835,120	3,140,195
Total	127,448,913	97,436,882

Investment grade includes those investments having credit exposure equivalent to rating of AAA to BBB-. Non-investment grade includes those investments having credit exposure equivalent to rating of BB+ to B+. The unrated category only comprise of unquoted sukuk. Fitch has assigned A- rating to KSA as a country as at 31 December 2023 (31 December 2022 – A).

(d) The following is an analysis of investments according to counterparties as at 31 December:

	2023 (SAR '000)	2022 (SAR '000)
Government and quasi government	103,069,461	81,956,794
Banks and other financial institutions	16,217,496	8,280,412
Companies	11,635,005	8,917,675
Mutual funds	2,525,681	2,214,056
Less: Impairment	(72,078)	(43,512)
Total	133,375,565	101,325,425

notes to the consolidated financial statements

(e) The domestic and international allocation of the Group's investments are summarised as follows:

31 December 2023	Domestic (SAR '000)	International (SAR '000)	Total (SAR '000)
Investments held at amortised cost:			
Fixed-rate Sukuk	71,407,909	10,401,339	81,809,248
Floating-rate Sukuk	26,220,738	-	26,220,738
Structured products	-	2,941,573	2,941,573
Less: Impairment	(68,634)	(1,600)	(70,234)
Total investments held at amortised cost	97,560,013	13,341,312	110,901,325
Investments held as FVIS			
Mutual funds	1,394,488	1,131,193	2,525,681
Fixed-rate Sukuk	104,374	-	104,374
Floating-rate Sukuk	18,000	-	18,000
Structured products	-	785,242	785,242
Equity investments	118,803	-	118,803
Total FVIS investments	1,635,665	1,916,435	3,552,100
Investments held as FVOCI			
Fixed-rate Sukuk	8,977,025	3,806,257	12,783,282
Floating-rate Sukuk	1,381,735	370,513	1,752,248
Structured products	-	1,106,286	1,106,286
Equity investments	3,261,261	20,907	3,282,168
Less: Impairment	-	(1,844)	(1,844)
Total FVOCI investments	13,620,021	5,302,119	18,922,140
Investments, net	112,815,699	20,559,866	133,375,565

notes to the consolidated financial statements

272

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

31 December 2022	Domestic (SAR '000)	International (SAR '000)	Total (SAR '000)
Investments held at amortised cost:			
Fixed-rate Sukuk	58,884,434	6,985,606	65,870,040
Floating-rate Sukuk	27,435,000	–	27,435,000
Structured products	500,000	533,894	1,033,894
Less: Impairment	(42,321)	(973)	(43,294)
Total investments held at amortised cost	86,777,113	7,518,527	94,295,640
Investments held as FVIS			
Mutual funds	1,268,196	945,860	2,214,056
Fixed-rate Sukuk	159,591	–	159,591
Structured products	462,099	275,452	737,551
Equity investments	156,613	–	156,613
Total FVIS investments	2,046,499	1,221,312	3,267,811
Investments held as FVOCI			
Fixed-rate Sukuk	573,344	1,327,536	1,900,880
Floating-rate Sukuk	232,000	–	232,000
Structured Products	–	111,438	111,438
Equity investments	1,496,967	20,907	1,517,874
Less: Impairment	–	(218)	(218)
Total FVOCI investments	2,302,311	1,459,663	3,761,974
Investments, net	91,125,923	10,199,502	101,325,425

notes to the consolidated financial statements

7 Financing, net

(a) Net financing held at amortised cost:

2023	Performing (SAR '000)	Non- performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Mutajara	140,942,388	1,915,703	(2,603,838)	140,254,253
Installment sale	430,775,863	1,840,989	(5,175,817)	427,441,035
Murabaha	21,230,777	501,410	(750,231)	20,981,956
Credit cards	5,683,776	39,837	(196,051)	5,527,562
Total	598,632,804	4,297,939	(8,725,937)	594,204,806

2022	Performing (SAR '000)	Non- performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Mutajara	119,146,700	674,135	(3,001,746)	116,819,089
Installment sale	427,887,058	2,350,467	(4,616,095)	425,621,430
Murabaha	21,264,015	533,281	(770,383)	21,026,913
Credit cards	4,983,282	28,052	(140,652)	4,870,682
Total	573,281,055	3,585,935	(8,528,876)	568,338,114

notes to the consolidated financial statements

274

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

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

2023	Mutajara (SAR '000)	Installment sale (SAR '000)	Murabaha (SAR '000)	Credit cards (SAR '000)	Total (SAR '000)
Inside the Kingdom of Saudi Arabia	140,729,593	427,073,984	14,976,580	5,700,726	588,480,883
Outside the Kingdom of Saudi Arabia	2,128,498	5,542,868	6,755,607	22,887	14,449,860
Gross financing	142,858,091	432,616,852	21,732,187	5,723,613	602,930,743
Allowance for impairment	(2,603,838)	(5,175,817)	(750,231)	(196,051)	(8,725,937)
Net financing	140,254,253	427,441,035	20,981,956	5,527,562	594,204,806

2022	Mutajara (SAR '000)	Installment sale (SAR '000)	Murabaha (SAR '000)	Credit cards (SAR '000)	Total (SAR '000)
Inside the Kingdom of Saudi Arabia	118,343,275	425,184,304	15,439,881	4,993,000	563,960,460
Outside the Kingdom of Saudi Arabia	1,477,560	5,053,221	6,357,415	18,334	12,906,530
Gross financing	119,820,835	430,237,525	21,797,296	5,011,334	576,866,990
Allowance for impairment	(3,001,746)	(4,616,095)	(770,383)	(140,652)	(8,528,876)
Net financing	116,819,089	425,621,430	21,026,913	4,870,682	568,338,114

notes to the consolidated financial statements

(c) The table below depicts the categories of financing as per main business segments at 31 December:

2023	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Mutajara	4,742,139	138,115,952	142,858,091
Installment sale	419,695,296	12,921,556	432,616,852
Murabaha	2,520,813	19,211,374	21,732,187
Credit cards	5,694,828	28,785	5,723,613
Gross financing	432,653,076	170,277,667	602,930,743
Less: Allowance for impairment	(5,413,893)	(3,312,044)	(8,725,937)
Total	427,239,183	166,965,623	594,204,806

2022	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Mutajara	5,679,406	114,141,429	119,820,835
Installment sale	421,178,785	9,058,740	430,237,525
Murabaha	2,964,586	18,832,710	21,797,296
Credit cards	4,997,435	13,899	5,011,334
Gross financing	434,820,212	142,046,778	576,866,990
Less: Allowance for impairment	(4,804,384)	(3,724,492)	(8,528,876)
Total	430,015,828	138,322,286	568,338,114

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

(d) The table below summarises financing balances at 31 December that are neither past due nor impaired, past due but not impaired and impaired, as per the main business segments of the Group:

2023	Neither past due nor impaired (SAR '000)	Past due but not impaired (SAR '000)	Impaired (SAR '000)	Total (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Retail	419,979,579	11,219,051	1,454,446	432,653,076	(5,413,893)	427,239,183
Corporate	165,669,997	1,764,177	2,843,493	170,277,667	(3,312,044)	166,965,623
Total	585,649,576	12,983,228	4,297,939	602,930,743	(8,725,937)	594,204,806

2022	Neither past due nor impaired (SAR '000)	Past due but not impaired (SAR '000)	Impaired (SAR '000)	Total (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Retail	423,157,781	9,766,079	1,896,505	434,820,212	(4,804,384)	430,015,828
Corporate	138,848,183	1,509,012	1,689,430	142,046,778	(3,724,492)	138,322,286
Total	562,005,964	11,275,091	3,585,935	576,866,990	(8,528,876)	568,338,114

Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. "Neither past due nor impaired" and "past due but not impaired" comprise total performing financing.

notes to the consolidated financial statements

(e) The movement in the allowance for impairment of financing is as follows:

2023	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Balance at the beginning of the year	4,804,384	3,724,492	8,528,876
Provided for the year	3,263,594	18,113	3,281,707
Bad debt written off	(2,654,085)	(430,561)	(3,084,646)
Balance at the end of the year	5,413,893	3,312,044	8,725,937

2022	Retail (SAR '000)	Corporate (SAR '000)	Total (SAR '000)
Balance at the beginning of the year	5,201,431	4,497,941	9,699,372
Provided for the year	2,288,338	1,023,826	3,312,164
Bad debt written off	(2,685,385)	(1,797,275)	(4,482,660)
Balance at the end of the year	4,804,384	3,724,492	8,528,876

(f) The Impairment charge movement

The details of the impairment charge on financing and other financial assets for the year recorded in the consolidated statement of income is as follows:

	2023 (SAR '000)	2022 (SAR '000)
Provided for the year for financing	3,281,707	3,312,164
Provided for the year for other financing assets and off balance sheet	(151,963)	36,112
Recovery of written-off financing, net	(1,625,566)	(1,347,017)
Allowance for financing impairment, net	1,504,178	2,001,259

notes to the consolidated financial statements

278

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

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

	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2023	562,049,635	9,576,654	5,240,701	576,866,990
Transfers:				
Transfer to 12-month ECL	2,958,084	(2,520,595)	(437,489)	-
Transfer to Lifetime ECL not credit impaired	(8,380,043)	8,468,850	(88,807)	-
Transfer to Lifetime ECL credit impaired	(3,057,920)	(1,252,129)	4,310,049	-
Write-offs	-	-	(3,084,646)	(3,084,646)
New business/Other movements	27,986,871	(355,715)	1,517,243	29,148,399
At 31 December 2023	581,556,627	13,917,065	7,457,051	602,930,743

	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2022	448,294,309	9,557,878	4,677,842	462,530,029
Transfers:				
Transfer to 12-month ECL	(5,034,653)	5,268,310	(233,657)	-
Transfer to Lifetime ECL not credit impaired	(1,108,367)	(1,664,680)	2,773,047	-
Transfer to Lifetime ECL credit impaired	-	-	(4,482,660)	(4,482,660)
Write-offs	117,930,087	(1,661,640)	2,551,174	118,819,621
New business/Other movements	562,049,635	9,576,654	5,240,701	576,866,990
At 31 December 2022	448,294,309	9,557,878	4,176,624	462,028,811

Closing balance of Lifetime ECL credit impaired differs from total reported Non-Performing financing due to IFRS 9 implementation.

notes to the consolidated financial statements

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

(1) Retail segment

Retail	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2023	426,179,423	5,328,999	3,311,790	434,820,212
Transfers:				
Transfer to 12-month ECL	2,503,265	(2,097,977)	(405,288)	–
Transfer to Lifetime ECL not credit impaired	(6,341,031)	6,418,160	(77,129)	–
Transfer to Lifetime ECL credit impaired	(1,721,325)	(774,729)	2,496,054	–
Write-offs	–	–	(2,654,086)	(2,654,086)
New business/other movements	(1,075,458)	(109,514)	1,671,922	486,950
At 31 December 2023	419,544,874	8,764,939	4,343,263	432,653,076

Retail	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
Financing				
At 1 January 2022	363,935,472	4,348,687	2,666,621	370,950,780
Transfers:				
Transfer to 12-month ECL	1,799,178	(1,769,873)	(29,305)	–
Transfer to Lifetime ECL not credit impaired	(3,877,345)	4,051,418	(174,073)	–
Transfer to Lifetime ECL credit impaired	(703,685)	(656,966)	1,360,651	–
Write-offs	–	–	(2,685,385)	(2,685,385)
New business/other movements	65,025,803	(644,267)	2,173,281	66,554,817
At 31 December 2022	426,179,423	5,328,999	3,311,790	434,820,212

notes to the consolidated financial statements

280

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

(2) Corporate segment

Corporate	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Financing				
At 1 January 2023	135,870,212	4,247,655	1,928,911	142,046,778
Transfers:				
Transfer to 12-month ECL	454,819	(422,618)	(32,201)	-
Transfer to Lifetime ECL not credit impaired	(2,039,012)	2,050,690	(11,678)	-
Transfer to Lifetime ECL credit impaired	(1,336,595)	(477,400)	1,813,995	-
Write-offs	-	-	(430,561)	(430,561)
New business/other movements	29,062,330	(246,201)	(154,679)	28,661,450
At 31 December 2023	162,011,754	5,152,126	3,113,787	170,277,667

Corporate	Gross carrying amount as of 31 December 2022			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Financing				
At 1 January 2022	84,358,837	5,209,191	2,011,221	91,579,249
Transfers:				
Transfer to 12-month ECL	169,081	(153,341)	(15,740)	-
Transfer to Lifetime ECL not credit impaired	(1,157,308)	1,216,892	(59,584)	-
Transfer to Lifetime ECL credit impaired	(404,682)	(1,007,714)	1,412,396	-
Write-offs	-	-	(1,797,275)	(1,797,275)
New business/other movements	52,904,284	(1,017,373)	377,893	52,264,804
At 31 December 2022	135,870,212	4,247,655	1,928,911	142,046,778

notes to the consolidated financial statements

(i) The movement in ECL allowances for impairment of financing by stages is as follows:

Credit loss allowance as of 31 December 2023				
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2023	3,276,243	1,714,791	3,537,842	8,528,876
Transfers:				
Transfer to 12-month ECL	570,806	(305,258)	(265,548)	-
Transfer to Lifetime ECL not credit impaired	(142,704)	198,965	(56,261)	-
Transfer to Lifetime ECL credit impaired	(69,182)	(274,180)	343,362	-
Write-offs	-	-	(3,084,647)	(3,084,647)
Net charge for the period	(1,111,259)	360,747	4,032,220	3,281,708
At 31 December 2023	2,523,904	1,695,065	4,506,968	8,725,937

Credit loss allowance as of 31 December 2022				
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	3,712,975	2,326,414	3,659,983	9,699,372
Transfers:				
Transfer to 12-month ECL	549,956	(527,427)	(22,529)	-
Transfer to Lifetime ECL not credit impaired	(315,415)	433,896	(118,481)	-
Transfer to Lifetime ECL credit impaired	(149,722)	(626,937)	776,659	-
Write-offs	-	-	(4,482,660)	(4,482,660)
Net charge for the period	(521,551)	108,845	3,724,870	3,312,164
At 31 December 2022	3,276,243	1,714,791	3,537,842	8,528,876

notes to the consolidated financial statements

282

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

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

(1) Retail segment:

Retail	Credit loss allowance as of 31 December 2023			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2023	1,886,754	892,694	2,024,936	4,804,384
Transfers:				
Transfer to 12-month ECL	511,499	(262,456)	(249,043)	-
Transfer to Lifetime ECL not credit impaired	(89,389)	138,776	(49,387)	-
Transfer to Lifetime ECL credit impaired	(35,188)	(199,895)	235,083	-
Write-offs	-	-	(2,654,085)	(2,654,085)
Net charge for the period	(434,856)	600,298	3,098,152	3,263,594
At 31 December 2023	1,838,820	1,169,417	2,405,656	5,413,893

Retail	Credit loss allowance as of 31 December 2022			
	Stage 1 (12-months ECL) (SAR '000)	Stage 2 (lifetime ECL for SICR) (SAR '000)	Stage 3 (lifetime ECL for credit impaired) (SAR '000)	Total (SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	2,301,583	1,017,372	1,882,476	5,201,431
Transfers:				
Transfer to 12-month ECL	528,846	(514,458)	(14,388)	-
Transfer to Lifetime ECL not credit impaired	(284,776)	386,605	(101,829)	-
Transfer to Lifetime ECL credit impaired	(135,360)	(388,562)	523,922	-
Write-offs	-	-	(2,685,385)	(2,685,385)
Net charge for the period	(523,539)	391,737	2,420,140	2,288,338
At 31 December 2022	1,886,754	892,694	2,024,936	4,804,384

notes to the consolidated financial statements

(2) Corporate segment:

Corporate	Credit loss allowance as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
ECL allowances for impairment of financing				
At 1 January 2023	1,389,489	822,097	1,512,906	3,724,492
Transfers:				
Transfer to 12-month ECL	59,307	(42,802)	(16,505)	-
Transfer to Lifetime ECL not credit impaired	(53,315)	60,189	(6,874)	-
Transfer to Lifetime ECL credit impaired	(33,994)	(74,285)	108,279	-
Write-offs	-	-	(430,561)	(430,561)
Net charge for the period	(676,404)	(239,551)	934,068	18,113
At 31 December 2023	685,083	525,648	2,101,313	3,312,044

Corporate	Credit loss allowance as of 31 December 2022			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
ECL allowances for impairment of financing				
At 1 January 2022	1,411,392	1,309,042	1,777,507	4,497,941
Transfers:				
Transfer to 12-month ECL	21,110	(12,969)	(8,141)	-
Transfer to Lifetime ECL not credit impaired	(30,639)	47,291	(16,652)	-
Transfer to Lifetime ECL credit impaired	(14,362)	(238,375)	252,737	-
Write-offs	-	-	(1,797,275)	(1,797,275)
Net charge for the period	1,988	(282,892)	1,304,730	1,023,826
At 31 December 2022	1,389,489	822,097	1,512,906	3,724,492

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

(k) Installment sale under financing includes finance lease receivables, which are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Gross receivables from finance leases		
Less than 1 year	252,224	1,946,998
1 to 5 years	25,318,310	21,269,416
Over 5 years	10,285,552	9,610,841
	35,856,086	32,827,255
Unearned future finance income on finance leases	(4,641,683)	(4,096,161)
Expect credit loss from finance leases	(823,840)	(782,783)
Net receivables from finance leases	30,390,563	27,948,311

8 Investments in associates

Investment in associate	2023 (SAR '000)	2022 (SAR '000)
Balance at the beginning of the year	820,717	295,253
Investment made during the year	-	506,863
Dividends during the year	(3,870)	(2,952)
Share in earnings, net	106,199	21,553
Balance at end of the year	923,046	820,717

The Group owns 35% (31 December 2022 – 35%) shares of Al Rajhi Company for Cooperative Insurance, a Saudi Joint Stock Company. The market value as of 31 December 2023 is SAR 799 Mn.

The Group owns 32.7% (31 December 2022 – 32.7%) shares of Versatile Solutions Company Limited.

notes to the consolidated financial statements

9 Property, equipment, and right of use assets, net

Property, equipment, and right of use assets net comprises the following as of 31 December:

	Land (SAR '000)	Buildings (SAR '000)	Leasehold land and buildings improvements (SAR '000)	Equipment and furniture (SAR '000)	Right-of-use assets (SAR '000)	Total (SAR '000)
Cost						
At 1 January 2022	2,436,773	6,192,350	1,639,390	6,243,329	1,553,885	18,065,727
Additions	179,472	502,188	568	1,698,549	64,936	2,445,713
Disposals	(1,005)	–	(23,365)	(192,402)	(25,353)	(242,125)
At 31 December 2022	2,615,240	6,694,538	1,616,593	7,749,476	1,593,468	20,269,315
Additions	45,752	300,873	256,617	2,589,967	145,434	3,338,643
Disposals	–	(118)	(339,443)	(171,485)	(12,359)	(523,405)
At 31 December 2023	2,660,992	6,995,293	1,533,767	10,167,958	1,726,543	23,084,553
Accumulated depreciation						
At 1 January 2022	–	1,097,354	1,099,110	5,058,037	663,538	7,918,039
Charge for the year	–	143,588	1,831	741,853	244,865	1,132,137
Disposals	–	–	(5,320)	(113,790)	(533)	(119,643)
At 31 December 2022	–	1,240,942	1,095,621	5,686,100	907,870	8,930,533
Charge for the year	–	162,049	3,306	982,124	233,386	1,380,865
Disposals	–	(1)	–	(79,367)	(251)	(79,619)
At 31 December 2023	–	1,402,990	1,098,927	6,588,857	1,141,005	10,231,779
Net book value						
At 31 December 2023	2,660,992	5,592,303	434,840	3,579,101	585,538	12,852,774
At 31 December 2022	2,615,240	5,453,596	520,972	2,063,376	685,598	11,338,782

Leasehold land & buildings improvements include work-in-progress amounting to SAR 135 Mn. as at 31 December 2023 (2022 – SAR 253 Mn.).

Right-of-use assets include land and buildings for ATMs and Branches.

10 Goodwill and other intangibles, net

	Goodwill (SAR '000)	Intangibles (SAR '000)	Total (SAR '000)
Cost			
At 1 January 2022	-	846,598	846,598
Additions	248,733	599,027	847,760
Disposals	-	(1,011)	(1,011)
At 31 December 2022	248,733	1,444,614	1,693,347
Additions	-	471,745	471,745
Disposals	-	(4,100)	(4,100)
At 31 December 2023	248,733	1,912,259	2,160,992
Accumulated amortisation			
At 1 January 2022	-	328,487	328,487
Charge for the year	-	111,292	111,292
Impairment loss	-	39,021	39,021
Disposals	-	-	-
At 31 December 2022	-	478,800	478,800
Charge for the year	-	171,684	171,684
Impairment loss	-	-	-
Disposals	-	(60)	(60)
At 31 December 2023	-	650,424	650,424
Net book value			
At 31 December 2023	248,733	1,261,835	1,510,568
At 31 December 2022	248,733	965,814	1,214,547

notes to the consolidated financial statements

11 Investment properties, net

	Land (SAR '000)	Buildings (SAR '000)	Total (SAR '000)
Cost			
At 1 January 2022	894,423	650,752	1,545,175
Additions	-	1,058	1,058
Disposals	-	-	-
At 31 December 2022	894,423	651,810	1,546,233
Additions	-	23,587	23,587
Disposals	-	(327)	(327)
At 31 December 2023	894,423	675,070	1,569,493
Accumulated depreciation			
At 1 January 2022	-	133,706	133,706
Charge for the year	-	47,669	47,669
At 31 December 2022	-	181,375	181,375
Charge for the year	-	25,460	25,460
At 31 December 2023	-	206,835	206,835
Net book value			
At 31 December 2023	894,423	468,235	1,362,658
At 31 December 2022	894,423	470,435	1,364,858

The fair value of the investment properties as at 31 December 2023 is SAR 1.5 Bn.
(31 December 2022: SAR 1.4 Bn.)

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

12 Other Assets, net

	2023 (SAR '000)	2022 (SAR '000)
Receivables, net	2,078,794	1,560,233
Value added taxes (VAT)	1,036,736	1,223,032
Prepaid expenses	900,584	927,010
Assets in transit subject to financing	3,219,499	1,917,136
Accrued income	860,352	504,823
Cheques under collection	923,923	601,904
Advance payments	65,800	121,285
Other real estate	35,655	28,023
Assets held-for-sale	–	112,500
Others, net	2,595,522	1,515,931
Total	11,716,865	8,511,877

13 Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following:

	2023 (SAR '000)	2022 (SAR '000)
Current accounts	568,771	1,343,738
Banks' time investments	96,678,118	69,495,379
Total	97,246,889	70,839,117

notes to the consolidated financial statements

14 Customers' deposits

Customers' deposits by type comprises the following:

	2023 (SAR '000)	2022 (SAR '000)
Demand deposits and call accounts	352,107,825	351,549,468
Customers' time investments	207,981,393	202,039,260
Other customer accounts	13,011,389	11,335,960
Total	573,100,607	564,924,688

All Customers' time investments are subject to Murabaha contracts and therefore are non-interest.

	2023 (SAR '000)	2022 (SAR '000)
Saudi Arabian Riyals	533,473,301	521,538,417
Foreign currencies	39,627,306	43,386,271
Total	573,100,607	564,924,688

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

15 Other liabilities

Other liabilities, net comprise the following:

	2023 (SAR '000)	2022 (SAR '000)
Accounts payable	5,990,981	6,750,657
Employees' end of service benefits liabilities (Note 30)	1,145,578	1,191,573
Accrued expenses	2,330,997	2,108,898
Special commission income excluded from the consolidated financial statements (Note 36)	1,891	6,075
Cheque under collection	1,366,311	748,728
Zakat payable (Note 43)	2,759,104	2,836,371
Value added taxes (VAT)	482,959	525,269
Lease liability	634,898	723,122
Margin payable	308,905	9,870
Loss allowance on financial commitments and financial guarantees	253,537	433,532
Payable to developers	4,902,655	4,285,930
Other	6,230,871	5,048,618
Total	26,408,687	24,668,643

The loss allowance on financial commitments and financial guarantees are further depicted in Commitments and Contingencies [Note 18 (c)].

16 Share capital

The authorised, issued and fully paid share capital of the Bank consists of 4,000 million shares of SAR 10 each as of 31 December 2022 (31 December 2021 – 2,500 million shares of SAR 10 each).

The ownership of the Bank's share capital is as follows:

	2023 (%)	2022 (%)
Saudi shareholders	86.13	86.25
Foreign shareholders	13.87	13.75

notes to the consolidated financial statements

17 Statutory and other reserves

In accordance with Saudi Arabian Banking Control Law and the By-laws 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 4,155 Mn. has been transferred from 2023 net income (2022 – SAR 4,288 Mn.). The statutory reserve is not currently available for distribution.

Other reserves includes FVOCI investments reserve, foreign currency translation reserve and employee share plan reserve.

The movements in FVOCI investments, foreign currency reserves, and employee share plan reserve are summarized as follows:

2023	FVOCI investments (SAR '000)	Foreign currency translation (SAR '000)	Employee share plan reserve (SAR '000)	Cash flow hedge (SAR '000)	Re-measurement of employees' end of service benefits (SAR '000)	Share in OCI from associate (SAR '000)	Total (SAR '000)
Balance at beginning of the year	(289,995)	(200,713)	37,110	(41,975)	42,644	25,360	(427,569)
Net change in fair value (FVOCI Equity investments)	(9,369)	-	-	-	-	-	(9,369)
Exchange difference on translation of foreign operations	-	(42,712)	-	-	-	-	(42,712)
Re-measurement of employees' end of service benefits (Note 30)	-	-	-	-	2,821	-	2,821
Share in OCI from associate	-	-	-	-	-	18,333	18,333
Net change in fair value (FVOCI Sukuk investment and Structured products investments)	307,054	-	-	-	-	-	307,054
Cash flow hedge effective portion of change in the fair value	-	-	-	57,788	-	-	57,788
Disposal of FVOCI equity instruments	(2,952)	-	-	-	-	-	(2,952)
Balance at the end of the year	4,738	(243,425)	37,110	15,813	45,465	43,693	(96,606)

notes to the consolidated financial statements

292

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	FVOCI investments (SAR '000)	Foreign currency translation (SAR '000)	Employee share plan reserve (SAR '000)	Cash flow hedge (SAR '000)	Re-measurement of employees' end of service benefits (SAR '000)	Share in OCI from associate (SAR '000)	Total (SAR '000)
Balance at beginning of the year	572,617	(162,484)	37,110	-	(189,180)	24,044	282,107
Net change in fair value (FVOCI Equity investments)	(669,175)	-	-	-	-	-	(669,175)
Exchange difference on translation of foreign operations	-	(38,229)	-	-	-	-	(38,229)
Re-measurement of employees' end of service benefits (Note 30)	-	-	-	-	231,824	-	231,824
Share in OCI from associate	-	-	-	-	-	1,316	1,316
Net change in fair value (FVOCI Sukuk investment)	5,449	-	-	-	-	-	5,449
Cash flow hedge effective portion of change in the fair value	-	-	-	(41,975)	-	-	(41,975)
Disposal of FVOCI equity instruments	(198,886)	-	-	-	-	-	(198,886)
Balance at the end of the year	(289,995)	(200,713)	37,110	(41,975)	42,644	25,360	(427,569)

18 Commitments and contingencies

(a) Legal proceedings

As at 31 December 2023, there were certain legal proceedings outstanding against the Group in the normal course of business including those relating to the extension of credit facilities. Such proceedings are being reviewed by the concerned parties.

Provisions have been made for some of these legal cases based on the assessment of the Group's legal advisors.

The Bank was named as one of many defendants in certain lawsuits initiated in the US commencing in 2002. The Bank was successful in defending the claims, all of which were finally dismissed by the relevant courts. With respect to new lawsuits commencing in 2016, however, the most recent dismissal was reversed by the court of appeals to permit limited jurisdictional discovery, which commenced in 2021. The Bank's management believes that the claims will be defended successfully, although note that there are inherent uncertainties in litigation.

(b) Capital commitments

As at 31 December 2023, the Group had capital commitments of SAR 1,156 Mn. (2022 – SAR 869 Mn.) relating to contracts for computer software update and development, and SAR 407 Mn. (2022 – SAR 194 Mn.) relating to building new workstations, and development and improvement of new and existing branches.

(c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required. Credit related commitments and contingencies mainly comprise letters of

guarantee, standby letters of credit, acceptances and unused commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financing.

Letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate, and therefore, carry less risk. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Cash requirements under guarantees and letters of credit are considerably less than the amount of the commitment because the Group does not expect the third party to necessarily draw funds under the agreement.

Commitments to extend credit represent unused portions of authorisation to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire without being funded.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

1. The contractual maturities of the Group's commitments and contingent liabilities are as follows:

2023	Less than 3 months (SAR '000)	From 3 to 12 months (SAR '000)	From 1 to 5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
Letters of credit	5,006,794	1,784,655	581,680	-	7,373,129
Acceptances	1,640,079	182,721	-	-	1,822,800
Letters of guarantee	22,703,348	-	-	-	22,703,348
Irrevocable commitments to extend credit	12,275,623	-	-	-	12,275,623
Total	41,625,844	1,967,376	581,680	-	44,174,900

2022	Less than 3 months (SAR '000)	From 3 to 12 months (SAR '000)	From 1 to 5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
Letters of credit	4,935,989	2,422,252	193,131	-	7,551,372
Acceptances	1,571,389	226,905	-	-	1,798,294
Letters of guarantee	14,902,966	-	-	-	14,902,966
Irrevocable commitments to extend credit	15,624,088	-	-	-	15,624,088
Total	37,034,432	2,649,157	193,131	-	39,876,720

notes to the consolidated financial statements

2. Commitments and contingencies that may result in credit exposure

The table below shows the gross carrying amount and ECL allowance of the financing commitments and financial guarantees.

2023	Letter of credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Gross carrying amount					
Stage 1 – (12-months ECL)	7,357,683	1,815,730	21,233,413	12,176,257	42,583,083
Stage 2 – (lifetime ECL not credit impaired)	15,063	243	1,126,382	97,561	1,239,249
Stage 3 – (lifetime ECL for credit impaired)	383	6,827	343,553	1,805	352,568
Total outstanding balance at end of the period	7,373,129	1,822,800	22,703,348	12,275,623	44,174,900
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 – (12-months ECL)	47,739	1,975	30,335	3,483	83,532
Stage 2 – (lifetime ECL not credit impaired)	263	3	29,122	244	29,632
Stage 3 – (lifetime ECL for credit impaired)	69	6,827	133,470	7	140,373
Total	48,071	8,805	192,927	3,734	253,537

notes to the consolidated financial statements

296

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

2022	Letter of credit (SAR '000)	Acceptance (SAR '000)	Letter of guarantees (SAR '000)	Irrevocable commitments to extend credit (SAR '000)	Total (SAR '000)
Gross carrying amount					
Stage 1 – (12-months ECL)	7,545,062	1,794,375	14,203,880	15,442,285	38,985,602
Stage 2 – (lifetime ECL not credit impaired)	5,951	768	346,090	181,803	534,612
Stage 3 – (lifetime ECL for credit impaired)	359	3,151	352,996	–	356,506
Total outstanding balance at end of the period	7,551,372	1,798,294	14,902,966	15,624,088	39,876,720
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 – (12-months ECL)	74,850	4,292	23,854	12,500	115,496
Stage 2 – (lifetime ECL not credit impaired)	36	388	4,971	2,117	7,512
Stage 3 – (lifetime ECL for credit impaired)	357	3,151	307,016	–	310,524
Total	75,243	7,831	335,841	14,617	433,532

3. The analysis of commitments and contingencies by counter-party is as follows:

	2023 (SAR '000)	2022 (SAR '000)
Corporates	40,116,996	36,374,002
Banks and other financial institutions	4,057,904	3,502,718
Total	44,174,900	39,876,720



notes to the consolidated financial statements

19 Net financing and investment income

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

	2023 (SAR '000)	2022 (SAR '000)
Financing		
Corporate Mutajara	7,834,281	4,526,629
Installment sale	23,760,066	19,560,986
Murabaha	1,932,361	1,035,278
Investments and other		
Murabaha with SAMA	2,715,899	1,497,334
Mutajara with banks	397,010	413,286
Income from Sukuk	2,097,999	1,168,118
Gross financing and investment income	38,737,616	28,201,631
Return on customers' time investments	(10,107,091)	(3,927,187)
Return on due to banks and financial institutions' time investments	(7,361,406)	(2,101,757)
Gross financing and investment return	(17,468,497)	(6,028,944)
Net financing and investment income	21,269,119	22,172,687

During the year, the Real Estate Development Fund ("REDF") launched a new programme ("the programme") in line with their mandate to facilitate home ownership by eligible Saudi nationals in the Kingdom of Saudi Arabia. The Bank signed an agreement with REDF to become a party to this programme in September 2023, and received an advance payment of SAR 1,000 Mn. for executing a fixed number of discounted real estate financing contracts.

In accordance with the requirements of IFRS 9, the programme results in a fair value loss being booked on origination of these mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the amount received from REDF qualifies as a government grant under IAS 20, which will be recognized as income on a systematic basis.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

20 Fee from banking services, net

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

	2023 (SAR '000)	2022 (SAR '000)
Fee income:		
Remittance business	412,698	373,365
Wholesale business	522,375	416,815
Payment and electronic service channels	6,691,934	5,547,346
Brokerage business	862,338	1,009,256
Others	905,255	1,420,490
Total fee income	9,394,600	8,767,272
Fee expenses:		
Remittance business	-	-
Wholesale business	(39,992)	(33,567)
Payment and electronic service channels	(4,881,531)	(3,801,041)
Brokerage business	(247,427)	(308,524)
Others	-	-
Total fee expenses	(5,168,950)	(4,143,132)
Fee from banking services, net	4,225,650	4,624,140

notes to the consolidated financial statements

21 Other operating income, net

Other operating income for the years ended 31 December comprises the following:

	2023 (SAR '000)	2022 (SAR '000)
Dividend income	136,884	128,097
Gain on sale of property and equipment, net	9,851	1,275
Rental income from investment properties	98,077	106,720
Share in profit of an associate	87,866	20,237
(Gain)/Loss on investments held at fair value through statement of income (FVIS)	32,051	(208,766)
Other income, net*	425,461	568,467
Total	790,190	616,030

*Other income, net includes Ejada gross profit which is as follows:

	2023	2022
Revenue	533,646	426,445
Cost of revenue	(417,091)	(285,878)
Gross profit	116,555	140,567

22 Salaries and employees' related benefits

The following tables provide an analysis of the salaries and employees' related benefits for the years ended 31 December:

2023	Number of employees (SAR '000)	Fixed and variable compensation (SAR '000)	Variable compensations paid	
			Cash (SAR '000)	Shares (SAR '000)
Executives	26	61,015	29,338	77,531
Employees engaged in risk taking activities	1,863	598,839	196,498	42,417
Employees engaged in control functions	545	220,382	46,242	35,694
Other employees	18,444	1,928,200	337,098	58,537
Total	20,878	2,808,436	609,176	214,179
Accrued compensations in 2023	-	256,852	-	-
Other employees' costs	-	459,808	-	-
Gross total	20,878	3,525,096	609,176	214,179

2022	Number of employees (SAR '000)	Fixed and variable compensation (SAR '000)	Variable compensations paid	
			Cash (SAR '000)	Shares (SAR '000)
Executives	24	50,693	23,996	55,595
Employees engaged in risk taking activities	1,877	590,626	189,914	32,479
Employees engaged in control functions	511	214,190	41,174	26,857
Other employees	17,552	1,804,438	313,694	46,344
Total	19,964	2,659,947	568,778	161,275
Accrued compensations in 2022	-	247,731	-	-
Other employees' costs	-	487,513	-	-
Gross total	19,964	3,395,191	568,778	161,275

notes to the consolidated financial statements

Salaries and employees' related benefits include end of services, social insurance, business trips, training and other benefits.

As the Kingdom of Saudi Arabia is part of the G-20, instructions were given to all financial institutions by SAMA, the Saudi Arabia Financial regulator, to comply with the standards and principles of Basel II and the Financial Stability Board, specially with regard to compensation.

In light of the above SAMA's regulations, the Group issued fixed and variable compensation policy which was implemented after the Board of Directors approval.

The scope of this policy is extended to include all permanent and temporary employees of the Group and its subsidiary companies (local and international) that are operating in the financial services sector.

For consistency with other banking institutions in the Kingdom of Saudi Arabia, the Group has used a combination of fixed and variable compensation to attract and maintain talent. The fixed compensation is assessed on a yearly basis by comparing it to other local banks in the Kingdom of Saudi Arabia including the basic salaries, allowances and benefits which is related to the employees' ranks. The variable compensation is related to the employees' performance and their compatibility to achieve the agreed-on objectives. It includes incentives, performance bonus and other benefits. Incentives are mainly paid to branches' employees whereby the performance bonuses are paid to head office employees and others who do not qualify for incentives. These bonuses and compensation are approved by the Board of Directors as a percentage of the Group's net income.

The overall 2023 staff headcount increase is driven mainly by creation and acquisition of new subsidiaries and organic growth of businesses.

23 Other general and administrative expenses

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

	2023 (SAR '000)	2022 (SAR '000)
Communications and utilities expenses	569,599	584,017
Maintenance and security expenses	313,294	346,758
Cash feeding and transfer expenses	209,791	240,142
Software and IT support expenses	253,266	413,187
Other operational expenses	1,048,891	1,141,656
Total	2,394,841	2,725,760

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

24 Earnings per share

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 retrospective effect to the bonus shares issuance of 1,500 million shares as set out below:

	2023	2022
Net income for the period	16,621,159	17,150,825
Less: Tier I Sukuk costs	(820,678)	(196,564)
Net income after Tier I Sukuk payments	15,800,481	16,954,261
Number of outstanding shares at the beginning of period	4,000,000	2,500,000
Bonus shares issued (note 26)	-	1,500,000
Weighted average number of shares	4,000,000	4,000,000
Basic and diluted earning per share (in SAR)	3.95	4.24

25 Dividends

The Board of Directors proposed on 15 January 2023, distribution of final dividends to shareholders for the year ended 31 December 2022, amounting to SAR 5,000 Mn. being SAR 1.25 per share after deduction of Zakat. The proposed final dividends for 2022 was approved by the Annual General Assembly in its meeting held on 21 March 2023. These dividends were paid on 2 April 2023.

On 23 July 2023, the Bank's Board of Directors approved a distribution of cash dividends to the shareholders for the first half of 2023, amounting to SAR 4,600 Mn. (SAR 1.15 per share), these dividends were paid on 14 August 2023.

26 Bonus shares

Al Rajhi Bank Board of Directors, through circulation on 16 Rajab, 1443 (corresponding to 17 February 2022) recommended to the Extraordinary General Assembly to increase the Bank's capital by granting bonus shares to the

Bank's shareholders through capitalisation of SAR 15,000 Mn. from the retained earnings by granting 3 shares for every 5 shares owned.

On 07 Shawal, 1443 (corresponding to 08 May 2022), the Bank's shareholders in an extraordinary general assembly meeting approved the recommended such bonus shares issuance.

27 Tier I Sukuk

In January 2022, the Bank through a Shariah compliant arrangement, (the "arrangement"), issued Tier I Sukuk (the "Sukuk"), of SAR 6.5 Bn. The Sukuk are perpetual securities in respect of which there are no fixed redemption dates, the Sukuk also represent an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among themselves, with each unit of the Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank and

classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on 23 January 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

In addition to the Tier I Sukuk mentioned above, and during November 2022, the Bank issued additional Tier I sukuk programme of SAR 10 Bn. in a SAR-denominated Tier I sukuk by way of a public offering in Saudi Arabia. These Sukuk are perpetual securities with no fixed redemption dates, the Sukuk also have an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among those Sukuk-holders. The entire units of such Sukuk are unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on 26 November 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic quarterly distribution date, except upon the occurrence of a

non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion, subject to certain terms and conditions, elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

28 Sukuk Issued

During April 2023, the Bank successfully issued U.S. dollar denominated senior unsecured sustainable Sukuk, amounting to USD 1 Bn. (SAR 3.75 Bn.) with 5-years maturity and a profit rate of 4.75% and redeemable prior to scheduled maturity date in certain cases. The Sukuk represents Al Rajhi Bank's first issuance in the USD international capital markets via a USD 4 Bn. Sukuk programme that has a multi-issuance variability of one or more tranches of senior unsecured or tier 2 subordinated Sukuk. The sustainable Sukuk is listed on the London Stock Exchange's International Securities Market and could be sold in light of applicable acts and regulations.

29 Cash and cash equivalents

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

	2023 (SAR '000)	2022 (SAR '000)
Cash in hand	6,502,729	6,672,064
Due from banks and other financial institutions maturing within 90 days from the date of purchased	5,676,099	17,065,889
Balances with SAMA and other central banks (current accounts)	256,814	408,197
Mutajara with SAMA	-	2,053,000
Total	12,435,642	26,199,150

30 Employees' end of service benefits liabilities

(a) General description

The Group operates an End of Service Benefit Plan for its employees based on the applicable Labor Laws in the country in which they are employed. Accruals are made in accordance with the actuarial valuation under the projected unit credit method, while the benefit payments liabilities are discharged as and when they fall due.

(b) The amounts recognised in the consolidated statement of financial position and movement in the liabilities during the year based on its present value are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Employees' end of service benefits liabilities at the beginning of the year	1,191,573	1,198,261
Past service gain	(6,627)	(3,774)
Current service cost	106,549	171,308
Financing cost	52,947	45,978
Benefits paid including pending to be paid for the period	(194,407)	(112,004)
Benefits acquired/transferred to be transferred to/(from) sister companies	(1,636)	123,628
Remeasurement gain	(2,821)	(231,824)
Employees' end of service benefits liabilities at the end of the year	1,145,578	1,191,573

(c) Charge for the year:

	2023 (SAR '000)	2022 (SAR '000)
Current service cost	129,460	171,308
Past service cost	(6,627)	(3,774)
Total	122,833	167,534

notes to the consolidated financial statements

(d) Re-measurement recognised in other comprehensive income:

	2023 (SAR '000)	2022 (SAR '000)
Loss/(gain) from change in experience assumptions	11,725	(14,220)
Loss from change in demographic assumptions	95	95
Gain from change in financial assumptions	(14,641)	(217,699)
Total	(2,821)	(231,824)

(e) Income principal actuarial assumptions (in respect of the employee benefit scheme)

	2023	2022
Discount rate	5.05%	5.00%
Expected rate of salary increase	3.00%	2.00% for FY 2023 and 3.00% thereafter
Attrition rate	5% - 14% (based on the age band)	5% - 14% (based on the age band)

(f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the employees' end of service benefits liabilities valuation to the discount rate, salary increase rate and attrition rate assumptions.

2023	Impact on defined benefit obligation - Increase/(decrease)		
Base scenario	Change in assumption	Increase in assumption (SAR '000)	Decrease in assumption (SAR '000)
Discount rate	+/- 100 basis points	(88,413)	108,895
Expected rate of salary increase	+/- 100 basis points	110,675	(91,429)
Attrition rate	Increase or decrease by 20%	17,701	(14,912)

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022		Impact on defined benefit obligation - Increase/(decrease)	
Base scenario	Change in assumption	Increase in assumption (SAR '000)	Decrease in assumption (SAR '000)
Discount rate	+/- 100 basis points	(102,064)	118,662
Expected rate of salary increase	+/- 100 basis points	119,943	(104,924)
Attrition rate	Increase or decrease by 20%	10,134	(12,802)

(e) Expected maturity

At 31 December	Discounted liability (SAR '000)	Less than a year (SAR '000)	1-2 years (SAR '000)	2-5 years (SAR '000)	Over 5 years (SAR '000)	Total (SAR '000)
2023	1,145,578	125,621	127,212	402,336	3,608,677	4,263,846
2022	1,191,573	125,630	127,220	402,681	3,654,250	4,309,781

31 Operating segments

The Group identifies operating segments on the basis of internal reports about the activities of the Group that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

For management purposes, the Group is organised into the following four main businesses segments:

Retail segment	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business, payment services.
Corporate segment	Incorporates deposits of VIP, corporate customers' deposits, credit facilities, and debit current accounts (overdrafts).
Treasury segment	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio.
Investment services, brokerage and other segments	Includes investments of individuals and corporates in mutual funds, local and international share trading services, investment portfolios and others.

notes to the consolidated financial statements

(a) The Group's total assets and liabilities, together with its total operating income and expenses, and net income, as of and for the years ended 31 December for each segment are as follows:

2023	Retail segment (SAR '000)	Corporate segment (SAR '000)	Treasury segment (SAR '000)	Investment services, brokerage and other segments (SAR '000)	Total (SAR '000)
Total assets	455,417,583	166,231,760	179,279,472	7,169,457	808,098,272
Total liabilities	293,516,074	271,709,235	134,641,890	1,471,642	701,338,841
Financing and investment income from external customers	22,380,591	10,717,736	5,465,684	173,605	38,737,616
Inter-segment operating income/(expense)	(6,868,762)	5,895,025	973,737	-	-
Gross financing and investment income	15,511,829	16,612,761	6,439,421	173,605	38,737,616
Gross financing and investment return	(809,754)	(10,369,837)	(6,288,906)	-	(17,468,497)
Net financing and investment income	14,702,075	6,242,924	150,515	173,605	21,269,119
Fee from banking services, net	1,925,010	1,005,507	680,221	614,912	4,225,650
Exchange income, net	566,701	281,124	398,625	-	1,246,450
Other operating income, net	135,317	3,703	301,875	349,295	790,190
Total operating income	17,329,103	7,533,258	1,531,236	1,137,812	27,531,409
Depreciation and amortisation	(1,296,577)	(210,876)	(40,500)	(30,056)	(1,578,009)
Impairment charge for financing and other financial assets, net	(2,163,894)	707,550	(47,834)	-	(1,504,178)
Other operating expenses	(4,905,858)	(659,166)	(210,840)	(144,073)	(5,919,937)
Total operating expenses	(8,366,329)	(162,492)	(299,174)	(174,129)	(9,002,124)
Income before Zakat	8,962,774	7,370,766	1,232,062	963,683	18,529,285

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Total assets	458,373,286	133,149,990	162,580,997	7,514,615	761,618,888
Total liabilities	294,440,256	278,627,535	87,741,490	584,572	661,393,853
Financing and investment income from external customers	19,799,227	5,159,001	3,116,428	126,975	28,201,631
Inter-segment operating income/(expense)	(6,486,764)	2,336,774	4,149,990	–	–
Gross financing and investment income	13,312,463	7,495,775	7,266,418	126,975	28,201,631
Gross financing and investment return	(343,085)	(4,005,596)	(1,680,263)	–	(6,028,944)
Net financing and investment income	12,969,378	3,490,179	5,586,155	126,975	22,172,687
Fee from banking services, net	1,904,688	798,321	1,236,839	684,292	4,624,140
Exchange income, net	576,402	218,186	367,574	–	1,162,162
Other operating income, net	77,880	–	325,549	212,601	616,030
Total operating income	15,528,348	4,506,686	7,516,117	1,023,868	28,575,019
Depreciation and amortisation	(1,162,971)	(106,023)	(44,703)	(16,422)	(1,330,119)
Impairment charge for financing and other financial assets, net	(1,453,637)	(528,934)	(18,688)	–	(2,001,259)
Other operating expenses	(5,219,603)	(514,604)	(178,032)	(208,712)	(6,120,951)
Total operating expenses	(7,836,211)	(1,149,561)	(241,423)	(225,134)	(9,452,329)
Income before Zakat	7,692,137	3,357,125	7,274,694	798,734	19,122,690

notes to the consolidated financial statements

(b) The Group's credit exposure by business segments as of 31 December follows:

2023	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Consolidated balance sheet assets	427,239,183	166,965,623	178,723,227	3,863,069	776,791,102
Commitments and contingencies excluding irrevocable commitments to extend credit	-	31,899,277	-	-	31,899,277

2022	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Consolidated balance sheet assets	430,015,828	138,322,286	165,145,307	2,666,960	736,150,381
Commitments and contingencies excluding irrevocable commitments to extend credit	-	24,252,632	-	-	24,252,632

32 Financial risk management

The Group's activities are exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyse these risks and to set appropriate

risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit and Risk Management Group ("CRMG") under policies approved by the Board of Directors. The CRMG identifies and evaluates financial risks in close co-operation with the Group's operating units. The most important types of risks identified by the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, operational risk and price risk.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

(1) Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the CRMG, which sets parameters and thresholds for the Group's financing activities.

(a) Credit risk measurement

(i) Financing

The Group provides financial products which are in accordance with Shariah law in order to meet the customers demand. These products are all classified as financing assets in the Group's consolidated statement of financial position. In measuring credit risk of financing at a counterparty level, the Group considers the overall credit worthiness of the customer based on a proprietary risk methodology.

This risk rating methodology utilises a 10 point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8-10). The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

(ii) Credit risk grades

For corporate exposures, the Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades

are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of corporate exposure involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the customer or in its business activities

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its customers analyzed by segment as well as by credit risk grading.

(iii) Generating the term structure of PD

The Group employs analytical techniques incorporating internal default estimates backed by transition matrices published by external agencies to construct PD term structures that can be applied to each exposure based on its remaining lifetime. These PD term structures are then adjusted to incorporate the impact of macroeconomic outlook to arrive at a forward looking estimate of PD across the lifetime.

For retail exposure, customer and financing specific information collected at the time of application, repayment behavior etc. are used to construct risk based segmentation using Chi-square Automatic Interaction Detection (CHAID) (or Decision Tree) technique. Risk segments are constructed to identify and aggregate customers with similar risk characteristics. For each risk segment thus formed, PD term structures are constructed using historical data that can be applied to each exposure based on its remaining lifetime.

Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

Bank has a master rating scale in place that comprises of 22 risk rating grades in total which is further split into 19 performing grades and 3 non-performing grades. Each of these 19 performing risk rating grades has a probability of default range assigned to it along with a mid-point PD. The probability of default for performing portfolio ranges from a minimum of 0% up to a maximum of 99% depending on the risk grades. The 12 month probability of default (PD) for on and off-balance sheet financing exposures in grades 1 to 6 and unrated exposures range from 0% to 8%. For 12 month PD for watch list exposures ranges from 8% to 99%, For the 3 non performing grades, the probability of default (PD) assigned is 100%.

Risk Rating 1

Exceptional – Obligors of unquestioned credit standing at the pinnacle of credit quality.

Risk Rating 2

Excellent – Obligors of the highest quality, presently and prospectively. Virtually no risk in financing to this class, Cash flows reflect exceptionally large and stable margins of protection. Projected cash flows including anticipated credit extensions indicate strong liquidity levels and debt service coverage. Balance Sheet parameters are strong, with excellent asset quality in terms of value and liquidity.

Risk Rating 3

Superior – Typically obligors at the lower end of the high quality range with excellent prospects. Very good asset quality and liquidity. Consistently strong debt capacity and coverage. There could however be some elements, which with a low likelihood might impair performance in the future.

Risk Rating 4

Good – Typically obligors in the high end of the medium range who are definitely sound with minor risk characteristics. Elements of strength are present in such areas as liquidity, stability of margins, cash flows, diversity of assets, and lack of dependence on one type of business.

Risk Rating 5

Satisfactory – These are obligors with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality, liquidity, and good debt capacity and coverage. A loss year or declining earnings trend may occur, but the customers have sufficient strength and financial flexibility to offset these issues.

Risk Rating 6

Adequate – Obligors with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk, such customers have limited additional debt capacity, modest coverage, average or below average asset quality and market share. Present customer performance is satisfactory, but could be adversely affected by developing collateral quality/ adequacy etc.

Risk Rating 7

Very high risk – Generally undesirable business constituting an undue and unwarranted credit risk but not to the point of justifying a substandard classification. No loss of principal or profit has taken place. Potential weakness might include a weakening financial condition, an unrealistic repayment program, inadequate

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

sources of funds, or a lack of adequate collateral, credit information or documentation. The entity is undistinguished and mediocre. No new or incremental credits will generally be considered for this category.

Risk Rating 8

Substandard – Obligors in default and 90 Days Past Due on repayment of their obligations. Unacceptable business credit. Normal repayment is in jeopardy, and there exists well defined weakness in support of the same. The asset is inadequately protected by the current net worth and paying capacity of the obligor or pledged collateral. Specific provision raised as an estimate of potential loss.

Risk Rating 9

Doubtful – Obligors in default and 180 Days Past Due (DPD) on their contracted obligations, however in the opinion of the management recovery/salvage value against corporate and real estate obligors is a possibility, and hence write-off should be deferred. Full repayment questionable. Serious problems exist to the point where a partial loss of principle is likely. Weaknesses are so pronounced that on the basis of current information, conditions and values, collection in full is highly improbable. Specific provision raised as an estimate of potential loss. However, for retail obligors (except real estate) and credit cards, total loss is expected. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

Risk Rating 10

Loss - Obligors in default and 360 Days Past Due (DPD) on their obligations. Total loss is expected. An uncollectible assets which does not warrant classification as an active asset. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.

(iv) ECL - Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

For Corporate portfolio, the Group's assessment of significant increase in credit risk is based on facility level except for watch-list accounts, whereby the Group's assessment is based on counterparty. Significant increase in credit risk assessment for retail financing is carried out at customer level within same product family. All the exposures which are considered to have significantly increased in credit risk are subject to lifetime ECL.

The Group considers all investment grade Sukuk issued by sovereigns including Gulf Corporation Council (GCC) countries to have low credit risk.

(v) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, quantitative changes in PDs, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on quantitative assessment and/or using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

notes to the consolidated financial statements

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

The Group classifies its financial instruments into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorised in this stage based on the actual/expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 or more is assumed to be stage 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Non-retail exposures

1. Information obtained during periodic review of customer files – e.g., audited financial statements, management accounts, budgets, and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.
2. Data from credit reference agencies, press articles, changes in external credit ratings
3. Quoted Sukuk and credit default swap (CDS) prices for the customer where available
4. Actual and expected significant changes in the political, regulatory, and technological environment of the customer or in its business activities

Retail exposures

1. Internally collected data and customer behavior – e.g., utilisation of credit card facilities
2. Affordability metrics
3. External data from credit reference agencies including industry-standard credit scores

All exposures

1. Payment record – this includes overdue status as well as a range of variables about payment ratios
2. Utilisation of the granted limit
3. Existing and forecast changes in business, financial and economic conditions

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

(vi) Modified financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing with terms have been modified may be derecognised and the renegotiated finance recognised as a new financing at fair value in accordance with the accounting policy.

The Group renegotiates finances to customers in financial difficulties (referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, finance forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants. Both retail and corporate financing are subject to the forbearance policy.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/in default.

(vii) Definition of "Default"

The Group considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the customer is past due more than 90 days on any material credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a customer is in default, the Group considers indicators that are:

- qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied for the Group for regulatory purposes.

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

notes to the consolidated financial statements

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

(viii) Incorporation of forward looking information

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long-term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation

of macroeconomic environment over time. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

The Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2023 ECL model		
	2024	2025	2026
Yearly growth in oil price	(0.70%)	(4.90%)	(4.30%)
General government net lending (% of GDP)	0.27%	0.46%	0.73%
Investment (% of GDP)	28.10%	28.62%	29.23%
Crude oil production average daily (million barrel)	10	10.5	10.7
Gross national savings to GDP (YoY) growth	0.40%	(1.40%)	(2.30%)
General government revenue (% of GDP)	29.50%	29.50%	29.50%

The table below shows the change in economic indicators to the ECL computed under three different scenarios used by the Group:

31 December 2023	Due from Bank and other financial institutions (SAR '000)	Investment (SAR '000)	Financing (SAR '000)	Off balance sheet items (SAR '000)	Total (SAR '000)
Most likely (Base case)	4,275	72,078	8,725,937	253,537	9,055,827
More optimistic (Upside)	3,235	50,524	7,504,077	212,263	7,770,099
More pessimistic (Downside)	5,804	103,832	10,103,338	307,453	10,520,427

(ix) Measurement of ECL

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, CCF and discount rate.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

For Corporate and Retail portfolio, Bank uses internal LGD models to arrive at the LGD estimates.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

notes to the consolidated financial statements

(x) Financings

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

2023	12 month ECL (SAR '000)	Lifetime ECL not credit impaired (SAR '000)	Lifetime ECL credit impaired (SAR '000)	Total (SAR '000)
Carrying amount distribution by Grades				
Grade 1-3/(Aaa – A3)	45,609,795	–	–	45,609,795
Grade (4-6)/(Baa1 – B3)	116,401,960	2,221,570	–	118,623,530
Grade 7 – Watch list/(Caa1 – C)	–	2,930,555	–	2,930,555
Credit impaired	–	–	3,113,787	3,113,787
Total corporate performing and non-performing	162,011,755	5,152,125	3,113,787	170,277,667
Total retail (un-rated)	419,544,874	8,764,940	4,343,262	432,653,076
Total carrying amount	581,556,629	13,917,065	7,457,049	602,930,743

2022	12 month ECL (SAR '000)	Lifetime ECL not credit impaired (SAR '000)	Lifetime ECL credit impaired (SAR '000)	Total (SAR '000)
Carrying amount distribution by Grades				
Grade 1-3/(Aaa – A3)	36,264,588	–	–	36,264,588
Grade (4-6)/(Baa1 – B3)	99,605,624	2,142,839	–	101,748,463
Grade 7 – Watch list/(Caa1 – C)	–	2,104,816	–	2,104,816
Credit impaired	–	–	1,928,911	1,928,911
Total corporate performing and non-performing	135,870,212	4,247,655	1,928,911	142,046,778
Total retail (un-rated)	426,179,423	5,328,999	3,311,790	434,820,212
Total carrying amount	562,049,635	9,576,654	5,240,701	576,866,990

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

(a) The following table sets out information about the credit quality of commitments and contingencies measured at amortised cost as at 31 December:

	2023	2022
Carrying amount distribution by Grades		
Grade 1-3/(Aaa – A3)	6,079,559	6,495,911
Grade (4-6)/(Baa1 – B3)	36,762,364	32,923,569
Grade 7 – Watch list/(Caa1 – C)	980,409	100,734
Credit Impaired	352,568	356,506
Total carrying amount	44,174,900	39,876,720

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

2023	Performing (SAR '000)	Non- performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Description				
Government	33,772,658	–	–	33,772,658
Commercial	45,095,136	1,472,523	(760,074)	45,807,585
Industrial	36,869,650	1,011,036	(993,776)	36,886,910
Building and construction	7,812,382	9,976	(5,013)	7,817,345
Consumer	431,198,630	1,454,446	(876,773)	431,776,303
Services	22,724,169	318,850	(166,229)	22,876,790
Agriculture and fishing	1,489,504	855	(503)	1,489,856
Finance, Insurance and Investments	14,640,139	526	(273)	14,640,392
Others	5,030,536	29,727	(16,041)	5,044,222
Total	598,632,804	4,297,939	(2,818,682)	600,112,061
12 month and lifetime ECL not credit impaired	–	–	(5,907,255)	(5,907,255)
Balance	598,632,804	4,297,939	(8,725,937)	594,204,806

*The amount includes Stage 3 balances which are in curing period

notes to the consolidated financial statements

2022	Performing (SAR '000)	Non- performing (SAR '000)	Allowance for impairment (SAR '000)	Net financing (SAR '000)
Description				
Government	23,936,681	–	–	23,936,681
Commercial	41,260,020	526,732	(299,207)	41,487,545
Industrial	34,166,854	1,030,986	(1,010,608)	34,187,232
Building and construction	6,275,190	5,314	(2,918)	6,277,586
Consumer	432,923,861	1,896,504	(1,228,793)	433,591,572
Services	17,658,812	125,683	(70,192)	17,714,303
Agriculture and fishing	689,565	112	(65)	689,612
Finance, Insurance and Investments	13,257,584	210	(115)	13,257,679
Others	3,112,488	394	(228)	3,112,654
Total	573,281,055	3,585,935	(2,612,126)	574,254,864
12 month and lifetime ECL not credit impaired	–	–	(5,916,750)	(5,916,750)
Balance	573,281,055	3,585,935	(8,528,876)	568,338,114

*The amount includes Stage 3 balances which are in curing period

- (b) The table below sets out gross balances of individually impaired financing, together with the fair value of related collateral held by the Group as at 31 December:

2023	Total (SAR '000)
Individually impaired financing	4,297,939
Fair value of collateral	916,683

2022	Total (SAR '000)
Individually impaired financing	3,585,935
Fair value of collateral	1,631,244

(c) The banks in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the financings. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other fixed assets. The collaterals are held mainly against commercial and consumer financings and are managed against relevant exposures at their net realisable values. For financial assets that are credit impaired at the reporting year, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. The outstanding credit impaired financing facility balances, that are covered by collateral, as of December 31 is as follows:

	2023 (SAR '000)	2022 (SAR '000)
Less than 50%	32,983	213,861
51-70%	55,153	357,687
More than 70%	788,358	1,668,621
Total exposure	876,494	2,240,169

d) Financial liabilities subject to offsetting

2023	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of recognised financial liabilities in the statement of financial position
Repurchase agreements	33,344,937	-	33,344,937

2022	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of recognised financial liabilities in the statement of financial position
Repurchase agreements	52,268,711	-	52,268,711

For collaterals for above financial liabilities, please refer note 6(a).

(a) Settlement risk

The Group is also exposed to settlement risk in its dealings with other financial institutions. This risk arises when the Group pays its side of the transaction to the other bank or counterparty before receiving payment from the third party. The risk is that the third party may not pay its obligation. While these exposures are short in duration, they can be significant. The risk is mitigated by dealing with highly rated counterparties, holding collateral and limiting the size of the exposures according to the risk rating of the counterparty.

(b) Risk limit control and mitigation policies

The responsibility for credit risk management is enterprise-wide in scope. Strong risk management is integrated into daily processes, decision making and strategy setting, thereby making the understanding and management of credit risk the responsibility of every business segment.

The following business units within the Group assist in the credit control process:

- Corporate Credit Unit.
- Credit Administration, Monitoring and Control Unit.
- Remedial Unit.
- Credit Policy Unit.
- Retail Credit Unit.

The monitoring and management of credit risk associated with these financing are made by setting approved credit limits. The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual customers and groups, and to industries and countries.

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Group's

performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors.

The Group manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the executive committee.

Exposure to credit risk is also managed through regular analysis on the ability of customers and potential customers to meet financial and contractual repayment obligations and by revising credit limits where appropriate.

Some other specific control and mitigation measures are outlined below:

The Group implements guidelines on the level and quality of specific classes of collateral. The principal collateral types are:

- Mortgages over residential and commercial properties.
- Cash, shares, and general assets for customer.
- Shares for Murabaha (collateralised share trading) transactions.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as traditional banking products of the Group.

Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying goods to which they relate, and therefore, risk is partially mitigated.

notes to the consolidated financial statements

322

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of further financing products, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The table below sets out the maximum exposure to credit risk at the reporting date without considering collateral or other credit enhancements and includes the off-balance sheet financial instruments involving credit risks as at 31 December:

On-balance sheet items	2023 (SAR '000)	2022 (SAR '000)
Investments, net:		
Cash and balances with central banks	41,767,641	42,052,496
Murabaha with Saudi Government and SAMA	20,067,953	22,696,693
Sukuk	102,547,859	72,857,306
Structured products	4,833,101	1,882,883
Due from banks and other financial institutions		
Financing, net	9,506,673	25,655,929
Corporate	166,965,623	138,322,286
Retail	427,239,183	430,015,828
Other financial assets		
Receivables, net	2,078,794	1,560,233
Accrued income	860,352	504,823
Cheques under collection	923,923	601,904
Total on-balance sheet items	776,791,102	736,150,381
Off-balance sheet items:		
Letters of credit and acceptances	9,195,929	9,349,666
Letters of guarantee	22,703,348	14,902,966
Irrevocable commitments to extend credit	12,275,623	15,624,088
Total off-balance sheet items	44,174,900	39,876,720
Maximum exposure to credit risk	820,966,002	776,027,101

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

(2) Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and financing parties and fulfill financing commitments. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. Diverse funding sources available to the Group help mitigate this risk. Assets are managed with liquidity in mind, maintaining a conservative balance of cash and cash equivalents.

Liquidity risk management process

The Group's liquidity management process is as monitored by the Group's Asset and Liabilities Committee (ALCO), and includes:

- Day-to-day funding, managed by Treasury to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining diversified funding sources; and
- Liquidity management and asset and liability mismatching.

Monitoring and reporting take the form of analysing cash flows of items with both contractual and non-contractual maturities. The net cash flows are measured to ensure that they are within acceptable ranges. The Treasury/ALCO also monitors the level and type of undrawn financing commitments, usage of overdraft facilities and the potential impact of contingent liabilities such as standby letters of credit and guarantees may have on the Group's liquidity position.

The tables below summarises the maturity profile of the Group's assets and liabilities, on the basis of the remaining maturity as of the consolidated statement of financial position date to the contractual maturity date.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. Assets available to meet liabilities and to cover outstanding financing commitments include cash, balances with SAMA and due from banks. Further, in accordance with the Banking Control Law and Regulations issued by SAMA, the Group maintains a statutory deposit equal to a sum not less than 7% of total customers' deposits, and 4% of total other customers' accounts. In addition to the statutory deposit, the Group maintains a liquid reserve of not less than 20% of the deposit liabilities, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days. Also, the Group has the ability to raise additional funds through special financing arrangements with SAMA including deferred sales transactions.

notes to the consolidated financial statements

324

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

2023	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets						
Cash and balance with SAMA and other central banks	-	-	-	-	41,767,641	41,767,641
Due from banks and other financial institutions	3,027,314	1,616,094	1,683,388	-	3,179,877*	9,506,673
Financing, net						
Mutajara	24,567,170	29,004,621	52,232,333	34,450,129	-	140,254,253
Installment sale	13,364,258	41,573,047	173,988,125	198,515,605	-	427,441,035
Murabaha	5,668,525	3,267,070	7,036,864	5,009,497	-	20,981,956
Credit cards	2,183,563	1,229,353	1,672,477	442,169	-	5,527,562
Investments, net						
Investment in an associate	-	-	-	-	923,046	923,046
Investments held at amortised cost	12,223,481	2,340,446	39,900,131	56,437,267	-	110,901,325
FVIS investments	-	-	576,377	33,493	2,942,230	3,552,100
FVOCI investments	-	1,132,415	5,237,057	10,089,786	2,462,882	18,922,140
Positive fair value of derivatives	2,715	8,989	210,138	655,834	-	877,676
Total	61,037,026	80,172,035	282,536,890	305,633,780	51,275,676	780,655,407
Liabilities						
Due to banks and other financial institutions	56,722,318	27,990,243	11,636,807	328,750	568,771*	97,246,889
Demand deposits and call accounts	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	111,032,228	61,691,663	13,702,134	21,555,368	-	207,981,393
Other customer accounts	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	2,657	9,304	182,438	599,142	-	793,541
Sukuk issued	-	-	3,789,117	-	-	3,789,117
Total Liabilities	167,757,203	89,691,210	29,310,496	22,483,260	365,687,985	674,930,154
Gap	(108,307,887)	(8,741,511)	254,048,953	283,150,521	(314,424,823)	105,725,253

* These are all receivable/payable on demand

notes to the consolidated financial statements

2022	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets						
Cash and balance with SAMA and other central banks	2,053,000	-	-	-	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	3,553,814	1,276,315	-	4,765,889*	25,655,929
Financing, net						
Mutajara	21,475,546	29,189,031	35,819,350	30,335,162	-	116,819,089
Installment sale	12,471,245	41,786,521	180,485,205	190,878,459	-	425,621,430
Murabaha	3,928,278	4,797,146	6,750,486	5,551,003	-	21,026,913
Credit cards	2,160,591	1,153,869	1,533,068	23,154	-	4,870,682
Investments, net						
Investment in an associate	-	-	-	-	820,717	820,717
Investments held at amortised cost	4,404,581	1,902,829	33,079,327	54,908,903	-	94,295,640
FVIS investments	-	514,550	232,611	121,481	2,399,169	3,267,811
FVOCI investments	-	17,547	339,228	1,301,771	2,103,428	3,761,974
Positive fair value of derivatives	17,094	22,344	184,671	772,034	-	996,143
Total	62,570,246	82,937,651	259,700,261	283,891,967	50,088,699	739,188,824
Liabilities						
Due to banks and other financial institutions	46,021,351	11,210,562	12,263,466	-	1,343,738*	70,839,117
Demand deposits and call accounts	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	126,617,444	48,379,543	7,938,345	19,103,928	-	202,039,260
Other customer accounts	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	8,128	20,223	217,063	715,991	-	961,405
Sukuk issued	-	-	-	-	-	-
Total Liabilities	172,646,923	59,610,328	20,418,874	19,819,919	364,229,166	636,725,210
Gap	(110,076,677)	23,327,323	239,281,387	264,072,048	(314,140,467)	102,463,614

* These are all receivable/payable on demand

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2023 and 2022 based on contractual undiscounted repayment obligations. As profit payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the Statement of financial position date to the contractual maturity date and do not consider the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not affect the expected cash flows indicated by the Bank's deposit retention history.

2023	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Due to banks and other financial institutions	59,243,641	29,123,940	12,339,896	655,663	568,771*	101,931,911
Demand deposits and call accounts	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	116,112,310	65,298,796	16,385,929	22,687,316	-	220,484,351
Other customer accounts	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	2,657	9,304	182,438	599,142	-	793,541
Sukuk Issued	-	-	4,548,121	-	-	4,548,121
Total	175,358,608	94,432,040	33,456,384	23,942,121	365,687,985	692,877,138

* These are all payable on demand

notes to the consolidated financial statements

The cumulative maturities of commitments and contingencies are given in Note 18-c-1 of the consolidated financial statements.

2022	Less than 3 months (SAR '000)	3 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Due to banks and other financial institutions	51,851,333	10,396,818	2,803,220	13,218,058	1,343,738*	79,613,167
Demand deposits and call accounts	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	127,543,852	48,733,385	7,996,420	19,243,689	-	203,517,346
Other customer accounts	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	8,128	20,223	217,063	715,991	-	961,405
Sukuk Issued	-	-	-	-	-	-
Total	179,403,313	59,150,426	11,016,703	33,177,738	364,229,166	646,977,346

* These are all payable on demand

The cumulative maturities of commitments and contingencies are given in Note 18-c-1 of the consolidated financial statements.

(3) Market risks

The Group is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks arise on profit rate products, foreign currency and mutual fund products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and quoted market prices.

Market risk exposures are monitored by Treasury/Credit and Risk department and reported to ALCO on a monthly basis. ALCO deliberates on the risks taken and ensures that they are appropriate.

(a) Market risks – Trading Book

In order to manage the market risk in trading book, the Bank periodically applies a VAR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

The VAR that the Bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The Bank's VAR related information for the year ended 31 December 2023 is as under. All the figures are in Mn. SAR:

	2023		
	Foreign exchange risk	Profit rate risk	Overall
VAR as at 31 December 2023	5.59	0.65	5.42

	2022		
	Foreign exchange risk	Profit rate risk	Overall
VAR as at 31 December 2022	6.36	0.70	6.30

(b) Market risks – banking operations

Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

Profit rate risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Group monitors its positions to ensure it is in line with Bank's risk management strategy.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Bank's consolidated statement of income or shareholders' equity. The sensitivity of the income is the effect of the assumed changes in profit rates on the net income for one year, based on the gross financing and investment assets held as at 31 December 2023 and 2022. All the banking book exposures are monitored and analysed in currency concentrations, and relevant sensitivities are disclosed in SAR million.

notes to the consolidated financial statements

2023

Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December (SAR Mn.)	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	+25	437	428	440	412

Currency	Decrease in basis points	Sensitivity of gross financing and investment income			
		As at 31 December (SAR Mn.)	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	-25	(437)	(428)	(440)	(412)

2022

Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December (SAR Mn.)	Average (SAR Mn.)	Maximum (SAR Mn.)	Minimum (SAR Mn.)
SAR	+25	398	369	409	335

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

Profit rate movements affect reported consolidated shareholders' equity through retained earnings, i.e. increases or decreases in financing and investment income.

Yield sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The Board sets limits on the level of mismatch of profit rate repricing that may be undertaken, which is monitored daily by Bank Treasury.

The table below summarises the Group's exposure to profit rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2023	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets							
Cash and balance with SAMA and other central banks	-	-	-	-	-	41,767,641	41,767,641
Due from banks and other financial institutions	1,722,847	99,741	2,294,018	2,210,190	-	3,179,877*	9,506,673
Investments, net							
Investment in an associate	-	-	-	-	-	923,046	923,046
Investments held at amortised cost	27,059,436	2,901,687	127,080	16,027,541	64,785,581	-	110,901,325
FVIS investments	-	-	542,381	33,996	33,493	2,942,230	3,552,100
FVOCI investments	736,130	358,787	256,275	4,500,927	10,607,139	2,462,882	18,922,140
Financing, net							
Mutajara	61,749,377	25,896,517	13,369,431	26,337,879	12,901,049	-	140,254,253
Installment sale	27,308,833	24,922,425	45,920,414	172,429,171	156,860,192	-	427,441,035
Murabaha	9,531,676	8,743,010	1,812,036	451,804	443,430	-	20,981,956
Credit cards	2,183,563	413,052	816,301	1,672,477	442,169	-	5,527,562
Positive fair value of derivatives	501,769	251,068	41,294	66,782	16,763	-	877,676
Total assets	130,793,631	63,586,287	65,179,230	223,730,767	246,089,816	51,275,676	780,655,407

notes to the consolidated financial statements

2023	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Liabilities							
Due to banks and other financial institutions	56,646,470	13,337,574	14,650,891	11,636,807	406,376	568,771*	97,246,889
Demand deposits and call accounts	-	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	112,517,382	27,320,724	32,885,785	13,702,134	21,555,368	-	207,981,393
Other customer accounts	-	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	71,961	-	10,738	121,942	588,900	-	793,541
Sukuk Issued	-	-	-	3,789,117	-	-	3,789,117
Total Liabilities	169,235,813	40,658,298	47,547,414	29,250,000	22,550,644	365,687,985	674,930,154
Shareholders' equity	-	-	-	-	-	106,759,431	106,759,431
Gap	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(421,171,740)	(1,034,178)
Profit Rate Sensitivity – On Consolidated Statement of Financial Positions	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(421,171,740)	(1,034,178)
Profit Rate Sensitivity – Off Consolidated Statement of Financial Positions	369,501	123,690	277,921	114,576	6,163	-	891,851
Total Profit Rate Sensitivity Gap	(38,811,683)	22,804,299	17,353,895	194,366,191	223,533,009	(421,171,740)	(1,926,029)
Cumulative Profit Rate Sensitivity Gap	(38,811,683)	(16,007,384)	1,346,511	195,712,702	419,245,711	(1,926,029)	-

* These are all receivable/payable on demand

notes to the consolidated financial statements

332

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

2022	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Assets							
Cash and balance with SAMA and other central banks	2,053,000	-	-	-	-	39,999,496	42,052,496
Due from banks and other financial institutions	16,059,911	2,916,990	636,824	1,276,315	-	4,765,889*	25,655,929
Investments, net							
Investment in an associate	-	-	-	-	-	820,717	820,717
Investments held at amortised cost	26,680,925	1,902,338	1,101,300	7,357,874	57,253,203	-	94,295,640
FVIS investments	-	502,534	-	232,611	133,497	2,399,169	3,267,811
FVOCI investments	-	-	17,547	339,228	1,301,771	2,103,428	3,761,974
Financing, net							
Mutajara	47,052,773	26,094,519	11,186,546	21,352,849	11,132,402	-	116,819,089
Installment sale	27,306,058	25,954,950	47,333,886	173,495,484	151,531,052	-	425,621,430
Murabaha	9,648,698	8,850,349	1,834,282	457,351	236,233	-	21,026,913
Credit cards	2,160,444	384,673	769,343	1,533,068	23,154	-	4,870,682
Positive fair value of derivatives	393,722	248,474	66,110	165,540	122,297	-	996,143
Total assets	131,355,531	66,854,827	62,945,838	206,210,320	221,733,609	50,088,699	739,188,824
Liabilities							
Due to banks and other financial institutions	46,019,431	9,317,265	1,893,297	12,263,466	1,920	1,343,738*	70,839,117
Demand deposits and call accounts	-	-	-	-	-	351,549,468*	351,549,468
Customers' time investments	126,617,538	15,254,614	33,124,835	7,938,345	19,103,928	-	202,039,260
Other customer accounts	-	-	-	-	-	11,335,960*	11,335,960
Negative fair value of derivatives	169,251	36,065	2,152	134,399	619,538	-	961,405
Sukuk issued	-	-	-	-	-	-	-
Total Liabilities	172,806,220	24,607,944	35,020,284	20,336,210	19,725,386	364,229,166	636,725,210

notes to the consolidated financial statements

2022	Less than 3 months (SAR '000)	3 to 6 months (SAR '000)	6 to 12 months (SAR '000)	1 to 5 years (SAR '000)	Over 5 years (SAR '000)	No Fixed Maturity (SAR '000)	Total (SAR '000)
Shareholders' equity	-	-	-	-	-	100,225,035	100,225,035
Gap	(41,450,689)	42,246,883	27,925,554	185,874,110	202,008,223	(414,365,502)	2,238,579
Profit Rate Sensitivity – On Consolidated Statement of Financial Positions	(41,450,689)	42,246,883	27,925,554	185,874,110	202,008,223	(414,365,502)	2,238,579
Profit Rate Sensitivity – Off Consolidated Statement of Financial Positions	369,491	147,022	361,733	66,020	9,510	-	953,776
Total Profit Rate Sensitivity Gap	(41,820,180)	42,099,861	27,563,821	185,808,090	201,998,713	(414,365,502)	1,284,803
Cumulative Profit Rate Sensitivity Gap	(41,820,180)	279,681	27,843,502	213,651,592	415,650,305	1,284,803	-

* These are all receivable/payable on demand

Foreign currency risks

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group management has set limits on positions by currencies, which are regularly monitored to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at 31 December 2023 and 2022, on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonably possible movements of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity. A positive effect shows a potential increase in the consolidated statement of income or consolidated shareholders' equity, whereas a negative effect shows a potential net reduction in the consolidated statement of income or consolidated statement of changes in shareholders' equity.

notes to the consolidated financial statements

334

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Currency Exposures As at 31 December 2023

	Change in currency rate in %	Effect on net income (SAR '000)	Effect on equity (SAR '000)
US Dollar	+/-2	84,480	84,480
Indian Rupee	+/-5	2,491	2,491
Malaysian Ringgit	+/-5	28,187	28,187
Jordanian Dinar	+/-2	11,943	11,943
Kuwaiti Dinar	+/-5	8,811	8,811

Currency Exposures As at 31 December 2022

	Change in currency rate in %	Effect on net income (SAR '000)	Effect on equity (SAR '000)
US Dollar	+/-2	41,005	41,005
Indian Rupee	+/-5	2,491	2,491
Malaysian Ringgit	+/-5	45,630	45,630
Jordanian Dinar	+/-2	25,874	25,874
Kuwaiti Dinar	+/-5	19,502	19,502

Currency position

The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2023 Long/(short) (SAR '000)	2022 Long/(short) (SAR '000)
US Dollar	4,223,983	1,152,067
Jordanian Dinar	124,566	550,388
Kuwaiti Dinar	1,409,358	437,238
Indian Rupee	597,154	127,326
Malaysian Ringgit	440,571	1,189,385
Others	448,413	381,833
Total	7,244,045	3,838,237



(b) Price risk

The Group has certain investments which are carried at fair value through the income statement (FVIS) and fair value through other comprehensive income (FVOCI). Price risk arises due to changes in these investments.

As these investments are in a limited number of funds and are not significant to the total investment portfolio, the Group monitors them periodically and determines the risk of holding them based on changes in market prices.

Other investments have little or no risks as these are bought for immediate sales. Investments are made only with a confirmed sale order, and therefore involve minimal risk.

Equity price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's equity investments held as FVOCI due to reasonably possible changes in equity indices, with all other variables held constant, as at 31 December is as follows:

(c) Operational risk

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

Operational risk is inherent in most of the Group's activities. This necessitates an integrated approach to the identification, measurement and monitoring of operational risk.

An Operational Risk Management Unit (ORMU) has been established within the Credit and Risk Management Group, which facilitates the management of Operational Risk within the Group. ORMU facilitates the management of Operational Risk by setting policies, developing systems, tools and methodologies, overseeing their implementation and use within the business units and providing ongoing monitoring and guidance across the Group.

The three primary operational risk management processes in the Group are Risk Control Self-Assessment, Operational Loss Database and eventual implementation of Key Risk Indicators which are designed to function in a mutually reinforcing manner.

Local Market Indices	2023		2022	
	Change in Equity price %	Effect in SAR Mn.	Change in Equity price %	Effect in SAR Mn.
Equity investments	+ /- 10	+ /- 86,696	+ /- 10	+/- 30,354

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

(d) Impact of climate risk on accounting judgements and estimates

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transitions risks:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. Refer to Note 31 below where this is evidenced in the analysis of the contractual maturities. Where the maturity of the exposures is longer than the estimated time horizon for climate risk impact, for example, for those assets with a longer maturity, the nature of the counterparties was assessed. This assessment showed that for these assets, the nature of the counterparties as described above would limit any material impact. Refer to Note 31 below where credit risk per industry segment is disclosed. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Classification of ESG-linked (or sustainability-linked) financing and Sukuks: For financing and sukuk with sustainability-linked features, the Group determines whether the instrument passes the solely payments of principal and profit test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements. Some features may be de minimis or non-genuine. Based on the size of the portfolio of these products held by the Group at 31 December 2022, any impact was assessed to be immaterial.

Fair value measurement: The Group has assumed that any climate change variables incorporated in fair value measurement are those that market

participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Group has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group is making progress on embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Group is re-evaluating its model landscape to incorporate climate-related risks and their impact on customer's credit risk.

The impact of climate related risks has been assessed on a number of reported amounts and the accompanying disclosures.

notes to the consolidated financial statements

33 Geographical concentration

(a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows:

2023	Kingdom of Saudi Arabia (SAR '000)	Other GCC and Middle East (SAR '000)	North America (SAR '000)	South East Asia (SAR '000)	Other countries (SAR '000)	Total (SAR '000)
Assets						
Cash and balances with SAMA and other central banks	39,800,473	806,836	501,739	236,119	422,474	41,767,641
Due from banks and other financial institutions	842,044	3,131,503	1,467,494	1,637,502	2,428,130	9,506,673
Financing, net						
Mutajara	138,160,222	2,094,031	-	-	-	140,254,253
Installment sale	422,022,173	3,795,455	-	1,623,407	-	427,441,035
Murabaha	14,262,858	272,134	-	6,446,964	-	20,981,956
Credit cards	5,504,750	22,736	-	76	-	5,527,562
Investments, net						
Investment in an associate	923,046	-	-	-	-	923,046
Investments held at amortised cost	97,560,013	6,615,356	757,961	2,525,436	3,442,559	110,901,325
FVIS Investments	1,635,665	1,131,194	-	-	785,241	3,552,100
FVOCI investments	13,620,021	2,869,525	-	1,437,691	994,903	18,922,140
Total assets	734,331,265	20,738,770	2,727,194	13,907,195	8,073,307	779,777,731
Liabilities						
Due to banks and other financial institutions	94,586,369	1,188,292	-	1,472,228	-	97,246,889
Customer deposits	556,310,037	6,723,368	-	10,067,202	-	573,100,607
Total liabilities	650,896,406	7,911,660	-	11,539,430	-	670,347,496
Commitments and contingencies	38,892,876	1,229,082	-	4,052,942	-	44,174,900
Credit exposure (stated at credit equivalent value)	8,431,254	254,785	-	3,589,584	-	12,275,623

notes to the consolidated financial statements

338

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	Kingdom of Saudi Arabia (SAR '000)	Other GCC and Middle East (SAR '000)	North America (SAR '000)	South East Asia (SAR '000)	Other countries (SAR '000)	Total (SAR '000)
Assets						
Cash and balances with SAMA and other central banks	41,330,219	51,650	595,398	5,789	69,440	42,052,496
Due from banks and other financial institutions	7,289,327	12,320,248	8,961	892,388	5,145,005	25,655,929
Financing, net						
Mutajara	115,377,226	1,441,863	-	-	-	116,819,089
Installment sale	420,698,623	3,665,800	-	1,257,007	-	425,621,430
Murabaha	14,726,023	203,718	-	6,097,173	-	21,026,914
Credit cards	4,852,417	18,174	-	91	-	4,870,682
Investments, net						
Investment in an associate	820,717	-	-	-	-	820,717
Investments held at amortised cost	86,777,113	5,780,440	-	1,204,193	533,894	94,295,640
FVIS Investments	2,992,360	-	-	-	275,451	3,267,811
FVOCI investments	2,302,311	254,060	-	1,205,603	-	3,761,974
Total assets	697,166,336	23,735,953	604,359	10,662,244	6,023,790	738,192,682
Liabilities						
Due to banks and other financial institutions	66,462,911	171,512	-	4,204,694	-	70,839,117
Customer deposits	552,976,747	6,591,393	-	5,356,548	-	564,924,688
Total liabilities	619,439,658	6,762,905	-	9,561,242	-	635,763,805
Commitments and contingencies	32,690,438	160,370	-	3,927,813	3,098,099	39,876,720
Credit exposure (stated at credit equivalent value)	11,696,477	-	-	3,927,611	-	15,624,088

notes to the consolidated financial statements

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

2023	Kingdom of Saudi Arabia (SAR '000)	GCC and Middle East (SAR '000)	South East of Asia (SAR '000)	Total (SAR '000)
Non-performing				
Mutajara	1,893,156	22,547	–	1,915,703
Installment sale	1,765,443	54,340	21,206	1,840,989
Murabaha	501,410	–	–	501,410
Credit cards	39,837	–	–	39,837
Allowance for impairment of financing				
Mutajara	(2,569,371)	(34,467)	–	(2,603,838)
Installment sale	(5,051,811)	(65,881)	(58,125)	(5,175,817)
Murabaha	(713,722)	–	(36,509)	(750,231)
Credit cards	(195,976)	(75)	–	(196,051)

2022	Kingdom of Saudi Arabia (SAR '000)	GCC and Middle East (SAR '000)	South East of Asia (SAR '000)	Total (SAR '000)
Non-performing				
Mutajara	668,196	5,939	–	674,135
Installment sale	2,285,460	45,140	19,867	2,350,467
Murabaha	501,218	–	32,063	533,281
Credit cards	28,052	–	–	28,052
Allowance for impairment of financing				
Mutajara	(2,966,049)	(35,697)	–	(3,001,746)
Installment sale	(4,485,681)	(67,547)	(62,867)	(4,616,095)
Murabaha	(713,859)	–	(56,524)	(770,383)
Credit cards	(140,583)	(69)	–	(140,652)

Refer to Note 7-1a for performing financing.

34 Fair values of financial assets and liabilities

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1:

quoted prices in active markets for the same instrument (i.e. without modification or additions).

Level 2:

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

Level 3:

valuation techniques for which any significant input is not based on observable market data.

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

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

2023	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,525,681	217,047	500,000	1,808,634	2,525,681
FVOCI – Equity investments	3,282,168	1,349,407	1,908,412	24,349	3,282,168
FVIS – Equity investments	118,803	118,803	-	-	118,803
FVIS Sukuk	122,374	37,782	84,592	-	122,374
FVOCI Sukuk	14,533,686	9,107,571	5,425,191	924	14,533,686
FVIS structured products	785,243	529,158	-	256,085	785,243
FVOCI structured products	1,106,286	1,106,286	-	-	1,106,286
Positive fair value Shariah compliant derivatives	877,676	-	877,676	-	877,676
Financial assets not measured at fair value:					
Due from banks and other financial institutions	9,506,673	-	-	9,704,922	9,704,922
Investments held at amortized cost:					
Murabaha with Saudi Government and SAMA	20,067,953	-	20,275,002	-	20,275,002
Sukuk	87,891,799	12,903,257	69,073,906	-	81,977,163
Structured products	2,941,573	2,941,573	-	-	2,941,573
Net financing	594,204,806	-	-	589,449,280	589,449,280
Total	737,964,721	28,310,884	98,144,779	601,244,194	727,699,857

notes to the consolidated financial statements

2023	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	793,541	-	793,541	-	793,541
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	97,246,889	-	-	97,018,458	97,018,458
Customers' deposits	573,100,607	-	-	576,794,255	576,794,255
Total	671,141,037	-	793,541	673,812,713	674,606,254

2022	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,214,056	24,690	1,243,499	945,867	2,214,056
FVOCI – Equity investments	1,517,874	803,608	714,266	-	1,517,874
FVIS – Equity investments	156,613	156,613	-	-	156,613
FVIS Sukuk	159,591	-	159,591	-	159,591
FVOCI Sukuk	2,132,880	564,252	1,568,628	-	2,132,880
FVIS structured products	737,551	737,551	-	-	737,551
FVOCI structured products	111,438	-	-	111,438	111,438
Positive fair value Shariah compliant derivatives	996,143	-	996,143	-	996,143
Financial assets not measured at fair value:					
Due from banks and other financial institutions	25,655,929	-	-	25,619,542	25,619,542
Investments held at amortised cost:					
Murabaha with Saudi Government and SAMA	22,696,693	-	22,918,411	-	22,918,411
Sukuk	70,608,347	7,584,857	57,392,773	-	64,977,630
Structured products	1,033,894	1,033,894	-	-	1,033,894
Net financing	568,338,114	-	-	561,795,543	561,795,543
Total	696,359,123	10,905,465	84,993,311	588,472,390	684,371,166

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	Carrying value (SAR '000)	Level 1 (SAR '000)	Level 2 (SAR '000)	Level 3 (SAR '000)	Total (SAR '000)
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	961,405	-	961,405	-	961,405
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	70,839,117	-	-	71,410,981	71,410,981
Customers' deposits	564,924,688	-	-	567,439,463	567,439,463
Total	636,725,210	-	961,405	638,850,444	639,811,849

FVIS investments classified as level 2 include mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) at fair market value as at the date of statement of consolidated financial position. These are quoted on tadawul.

FVIS investments classified as level 3 include mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) at fair market value as at the date of statement of consolidated financial position.

For the level 2 Sukuk investments, the Group uses values obtained from reputable third parties where they use valuation techniques. Those valuation techniques use observable market inputs embedded in the models that include risk adjusted discount rates, marketability and liquidity discounts.

For the level 3 structure products investments are valued using reputable third parties valuation prices, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

Gross financing and Due to banks and other financial institutions classified as level 3 has been valued using expected cash flows discounted at relevant current effective profit rate. Investments held at amortised cost, due to/from banks and other financial institutions have been valued using the actual cash flows discounted at relevant SIBOR/SAMA murabaha rates.

The value obtained from the relevant valuation model may differ from the transaction price of a financial instrument. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realised through disposal. Subsequent changes in fair value are recognised immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

During the current year, no financial assets/liabilities have been transferred between level 1 and/or level 2 and/ or level 3 of the fair value hierarchy.

notes to the consolidated financial statements

35 Related party transactions

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions are at agreed terms between the parties as at and for the year ended 31 December are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Related parties		
Members of the Board of Directors		
Financing	953,572	806,060
Current accounts	576,049	389,941
Companies and establishments guaranteed by members of the Board of Directors		
Financing	4,793,033	8,265,177
Contingent liabilities (*)	837,317	4,999,867
Associate		
Contributions payable	111,608	121,709
Receivable against claims	522,390	351,061
Bank balances	401,627	249,200

(*) = off balance sheet items.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements for the years ended 31 December are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Net income from financing and other financial assets	723,123	326,549
Mudaraba Fees	135,395	128,090
Employees' salaries and benefits (air tickets)	2,683	2,666
Rent and premises related expenses	541	484
Contribution – policies written	679,227	718,691
Claims incurred and notified during the year	422,076	587,154
Claims paid	250,747	497,413
Board of Directors' remunerations	6,125	5,921

The amounts of compensations recorded in favor of or paid to the Board of Directors and the Executive Management personnel during the years ended 31 December are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Short-term benefits	167,883	130,284
Provision for employees' end of service benefits	3,367	2,241

The executive management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

36 Special commissions excluded from the consolidated statement of income

The following represents the movements in charities account, which is included in other liabilities (see Note 15) for the year ended 31 December:

	2023 (SAR '000)	2022 (SAR '000)
Balance at beginning of the year	6,075	29,771
Additions during the year	8,676	27,855
Payments made during the year	(12,860)	(51,551)
Balance at end of the year	1,891	6,075

37 Investment management services

The Group offers investment services to its customers. The Group has established a number of Mudaraba funds in different investment aspects. These funds are managed by the Group's Investment Department, and a portion of the funds is also invested in participation with the Group. The Group also offers investment management services to its customers through its subsidiary, which include management of funds with total assets under management of SAR 76,342 Mn. (2022: SAR 50,459 Mn.). The mutual funds are not controlled by the Group and neither are under significant influence to be considered as associates/subsidiaries. Mutual funds' financial statements are not included in the consolidated financial statements of the Group. The Group's share of investments in these funds is included under investments. Funds invested by the Group in those investment funds amounted to SAR 827 Mn. at 31 December 2023 (2022: SAR 617 Mn.).

38 Capital risk management

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above 10.5 per cent. including a capital conservation buffer (2.5 per cent.).

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA. Various committees have been established by the Bank which also monitors the capital adequacy. These ratios measure capital adequacy by comparing the Group's

eligible capital with its assets, commitments and contingencies, and notional amounts of derivatives at a weighted amount to reflect their relative risk.

39 Capital adequacy

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting provisions under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity.

Tier I (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

Starting June 2021, the Group has opted to apply SAMA allowance to recognise 100% of IFRS9 transitional adjustment amount in the Bank's Common Equity Tier I (CET 1) which resulted in an increase of SAR 961 Mn. as of December 2023.

In line with SAMA and the internationally agreed timeline set by the Basel Committee on Banking Supervision (BCBS), the global standard-setter for the prudential regulation of banks, the Group started reporting Capital-Adequacy Ratios (CAR) as per Basel III: Finalising post-crisis reforms regulations issued by SAMA through its Circular Number 44047144 effectively from January 1 2023.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position, commitments and contingencies, to reflect their relative risk as of 31 December:

	2023 (SAR '000)	2022 (SAR '000)
Credit risk weighted assets	471,038,148	454,047,013
Operational risk-weighted assets	38,443,216	42,282,263
Market risk weighted assets	10,848,214	1,643,421
Total Pillar I – risk weighted assets	520,329,578	497,972,697
Tier I capital	106,151,971	100,932,280
Tier II capital	5,846,939	5,675,588
Total tier I and II capital	111,998,910	106,607,868
Capital adequacy ratio %		
Tier I ratio (%)	20.40%	20.27%
Tier I and II ratio (%)	21.52%	21.41%

40 Shariah compliant derivatives

(a) Profit rate swaps

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

(b) Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currency and profit rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

(c) FX swaps

FX swaps are agreements between two parties to exchange a given amount of one currency for an amount of another currency based on the current spot rate and forward rates quoted in the interbank market. The two parties will then settle their respective foreign exchange notional amounts governed by the previously agreed specific forward rate. The forward rate locks in the exchange rate at which the funds will be exchanged in the future.

(d) Cash flow hedges

The Bank is exposed to variability in future yield cash flows on non-trading assets and liabilities which bear yield at a variable rate. The Bank uses profit rate swaps as cash flow hedges of these profit rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and profit rate risks which are hedged with cross currency profit rate swaps. Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of income.

notes to the consolidated financial statements

(e) Positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity and monthly average

The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

2023	Positive fair value (SAR '000)	Negative fair value (SAR '000)	Notional amount total (SAR '000)	Notional amounts by term to maturity			
				Within 3 months (SAR '000)	3-12 months (SAR '000)	1-5 years (SAR '000)	Over 5 years (SAR '000)
Held for trading:							
Profit rate swaps	840,868	(771,974)	31,646,205	735,000	1,143,073	17,893,603	11,874,529
Foreign exchange forward contracts	2,539	(2,267)	270,863	270,863	-	-	-
FX swaps	176	(1,020)	10,387,362	6,262,417	4,124,945	-	-
Total held for trading	843,583	(775,261)	42,304,430	7,268,280	5,268,018	17,893,603	11,874,529
Held as cash flow hedge:							
Profit rate swaps	34,093	(18,280)	8,743,877	-	-	8,743,877	-
Total held as cash flow hedge	34,093	(18,280)	8,743,877	-	-	8,743,877	-
Total Shariah compliant derivatives	877,676	(793,541)	51,048,307	7,268,280	5,268,018	26,637,480	11,874,529

notes to the consolidated financial statements

348

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	Positive fair value (SAR '000)	Negative fair value (SAR '000)	Notional amount total (SAR '000)	Notional amounts by term to maturity			
				Within 3 months (SAR '000)	3-12 months (SAR '000)	1-5 years (SAR '000)	Over 5 years (SAR '000)
Held for trading:							
Profit rate swaps	974,428	(908,244)	23,037,476	–	3,103,963	9,364,468	10,569,045
Foreign exchange forward contracts	10,529	(10,428)	280,798	186,105	91,331	3,362	–
FX swaps	11,186	(758)	4,708,746	4,220,988	487,758	–	–
Total held for trading	996,143	(919,430)	28,027,020	4,407,093	3,683,052	9,367,830	10,569,045
Held as cash flow hedge:							
Profit rate swaps	–	(41,975)	3,000,000	–	–	3,000,000	–
Total held as cash flow hedge	–	(41,975)	3,000,000	–	–	3,000,000	–
Total Shariah compliant derivatives	996,143	(961,405)	31,027,020	4,407,093	3,683,052	12,367,830	10,569,045

2023	Within 1 year (SAR '000)	1-3 years (SAR '000)	3-5 years (SAR '000)	Over 5 years (SAR '000)
Cash inflows (assets)	191,067	280,412	–	–

2022	Within 1 year (SAR '000)	1-3 years (SAR '000)	3-5 years (SAR '000)	Over 5 years (SAR '000)
Cash inflows (assets)	167,889	285,793	13,675	–

notes to the consolidated financial statements

(f) The tables below show a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value:

2023 Description of hedged items:	Fair value (SAR '000)	Hedge inception value (SAR '000)	Risk	Hedging instrument	Negative fair value (SAR '000)	Positive fair value (SAR '000)
Floating profit rate investments	4,018,691	4,000,000	Cashflow	Profit rate swaps	(18,280)	5,011
Floating profit rate Deposit	4,714,638	4,743,750	Cashflow	Profit rate swaps	-	29,082

2022 Description of hedged items:	Fair value (SAR '000)	Hedge inception value (SAR '000)	Risk	Hedging instrument	Negative fair value (SAR '000)	Positive fair value (SAR '000)
Floating profit rate investments	3,032,876	3,000,000	Cash flow	profit rate swaps	41,975	-

(g) The amounts relating items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 were as follows:

2023	Positive fair value (SAR '000)	Negative fair value (SAR '000)	Notional amount Total (SAR '000)	Change in fairvalue used for calculating hedge ineffectiveness for 2023 (SAR '000)	Changes in the value of the hedging instrument recognised in OCI (SAR '000)	Hedge ineffectiveness recognised in statement of income (SAR '000)	Amount reclassified from the hedge reserve to statement of income (SAR '000)
Held as cashflow hedges:							
Profit rate swaps	34,093	(18,280)	8,743,750	-	15,813	-	-
Total	34,093	(18,280)	8,743,750	-	15,813	-	-

notes to the consolidated financial statements

350

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

2022	Positive fair value	Negative fair value	Notional amount Total	Change in fairvalue used for calculating hedge ineffectiveness for 2022	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Held as cashflow hedges:							
Profit rate swaps	-	(41,975)	3,000,000	-	(41,975)	-	-
Total	-	(41,975)	3,000,000	-	(41,975)	-	-

(h) The amounts relating to items designated as hedged items were as follows:

2023	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
		(SAR '000)	(SAR '000)	(SAR '000)
Held as cash flow hedges:				
Sukuk	Investment at AC	-	(13,269)	-
Syndicated Murabaha Facility	Due to Bank & Other Financial Institution	-	29,082	-
Total		-	15,813	-

notes to the consolidated financial statements

2022	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness (SAR '000)	Cashflow hedge reserve (SAR '000)	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied (SAR '000)
Held as cash flow hedges:				
Sukuk	Investment at AC	-	(41,975)	-
Syndicated Murabaha Facility	Due to Bank & Other Financial Institution	-	-	-
Total		-	(41,975)	-

41 IBOR transition (Profit rate benchmark reforms)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition and concluded on the transition plan for the exposures not yet transitioned to alternate benchmark profit rates. The Group was exposed to the effects of USD LIBOR reform on its financial assets, as set out within the table below. The Group had no exposure to any other LIBOR rates.

Non derivative assets exposed to USD LIBOR	Yet to transitioned to an alternative benchmark profit rate as at 31 December 2023 Carrying value/nominal amount assets (SAR '000)	Transition plan for yet to be transitioned exposures
Financing	3,422,703	Expected to transition to alternative benchmark by 30 June 2024

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

The following table contains details of all the hedging instruments used in the Group's hedging strategies which reference USD LIBOR and which have not been transitioned to SOFR or an alternative profit rate benchmark:

Derivative assets exposed to USD LIBOR	Notional amount directly impacted by IBOR reform (SAR '000)
Held for trading: Profit rate swaps	3,024,362

42 Profit sharing investment accounts

(a) Analysis of PSIA income according to types of investments and their financing

As of 31 December 2023, all joint financing and investments are funded by comingled pool which includes funds from investment account holders (IAH) (including Mudarabah and Wakala) and the Bank's equity.

Financing, investments, due from financial institutions and other liquid assets of the comingled pool (including Bank's equity by type of contract) are as follows:

	2023 (SAR '000)	2022 (SAR '000)
Instalment sale	34,502,005	25,555,217
Credit cards	4,456,950	1,110,294
Mutajara	12,422,962	5,937,107
Due from financial institutions and other liquid assets	4,685,275	2,737,586
Total financing, investments, due from the financial institutions and other liquid assets	56,067,192	35,340,204

notes to the consolidated financial statements

(b) the basis for calculating and allocating profits between the Bank and the IAHs;
Computation of pool income is as follows:

	2023 (SAR '000)	2022 (SAR '000)
Pool income from financing	3,515,269	360,066
Income from investments	761,849	608,389
Total pool income	4,277,118	968,455
Profit Equalization Reserve (PER) balance at year end	134,279	13,731
Pool income	4,277,118	968,455
Mudarib fee	(1,433,050)	(243,542)
Movement from PER	(120,548)	(13,517)
Total amount paid to IAH Mudarabah	(2,272,265)	(603,072)
Total amount attributable to shareholders pool including Wakala	451,255	108,324

The basis of allocating the profits between IAH and the Bank:

	IAH share	Bank share
Profit sharing allocation percentages	61%	39%

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
● **Financial Statements**
Supplementary

(c) The equity of the IAHs at the end of the reporting period:

	2023 (SAR '000)	2022 (SAR '000)
Investment account holders balance before profit	50,349,525	32,279,450
Add: Profit for the IAH during the year/period	2,272,265	603,072
Less: Profit paid out during the year	(1,950,808)	(509,353)
Total value of investment account holders after share of profits and before the fair value reserves	50,670,982	32,373,169
Share in fair value reserve	-	-
Total equity for investment account holders	50,670,982	32,373,169

(d) Basis for determining any PER and the changes that have occurred in any of those reserves during the reporting period

Profit equalisation reserve (PER) is created by appropriating a specific amount out of the profits earned on the commingled pool of assets before the allocation to shareholders and the IAH. The amounts appropriated to PER reduce the profits available for distribution to both, the shareholders and the IAH.

PER allows the Bank to mitigate considerably its exposure to displaced commercial risk. PER collectively belongs to investment account holders and shareholders for smoothing their profit payouts. While the purpose of these reserves is to enhance the profit payout to IAH in

periods when the assets in an Bank's asset pool have underperformed, it is also the case that a PER can be used for smoothing or enhancing dividend payouts to shareholders if so desired by the management.

With regard to the PER, IAH agree in advance in the contract that regulates their relationship with Bank, on the proportion of their income that may be appropriated to each of these reserves. This amount is determined by the management of the Bank at their discretion.

(e) Displaced commercial risk

Rate of return risk can give rise to displaced commercial risk. To mitigate displaced commercial risk, the Bank may decide to waive its portion of profits to increase the returns for the IAH.

(f) Movement of PER

	2023 (SAR '000)	2022 (SAR '000)
Beginning balance	13,731	214
Addition	213,144	160,637
Transferred	(92,596)	(147,120)
Closing balance	134,279	13,731

43 Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the consolidated statement of income. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to zakat.

(a) Provisions for Zakat and income tax for the year ended 31 December is summarised as follows:

	2023 (SAR '000)	2022 (SAR '000)
Beginning balance for zakat provision	2,836,371	3,424,929
Provided during the year	1,908,126	1,971,865
Zakat adjustment	(13,703)	-
Payments made during the year	(1,971,690)	(2,560,423)
Provisions for Zakat and income tax	2,759,104	2,836,371

The Group has filed the required Zakat returns with the ZATCA which are due on 30 April each year. The Group's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership of the Bank to each of its subsidiaries.

notes to the consolidated financial statements

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

On 14 March 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning 1 January 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Group has provided for Zakat for the year ended 31 December 2023 and 2022 on the basis of the Group's understanding of these rules.

44 Approval of the Board of Directors

The consolidated financial statements were approved by the Board of Directors on 26 Rajab 1445 H (corresponding to 7 February 2024).

357

supplementary

GRI Content Index 358

Glossary of Key Islamic
Finance Terms 362

Corporate Information 364



GRI content index

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements

● Supplementary

Statement of use	Al Rajhi Bank has reported the information cited in this GRI content index for the period starting 01 January 2023 to 31 December 2023, with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	Page 9: The Bank
	2-2 Entities included in the organization's sustainability reporting	Pages 6-7: About the Report
	2-3 Reporting period, frequency and contact point	Pages 6-7: About the Report
	2-4 Restatements of information	Pages 6-7: About the Report
	2-5 External assurance	Page 226: Independent Auditor's Report
	2-6 Activities, value chain and other business relationships	Pages 12-13: Subsidiaries and International Branches
	2-7 Employees	Page 107: Human Resources; Page 155: Labour management
	2-9 Governance structure and composition	Page 181: Governance
	2-10 Nomination and selection of the highest governance body	Page 189: Nomination and Remuneration Committee
	2-11 Chair of the highest governance body	Page 168: Board of Directors
	2-15 Conflicts of interest	Page 181: Governance; Page 190: Governance Committee
	2-18 Evaluation of the performance of the highest governance body	Page 196: Methods adopted by the Board of Directors in evaluating its performance and that of its committees and members

GRI content index

GRI STANDARD	Disclosure	Location
	2-19 Remuneration policies	Page 196: Remuneration of Board members, Board Committee members, and Executive Management
	2-20 Process to determine remuneration	Page 196: Remuneration of Board members, Board Committee members, and Executive Management
	2-23 Policy commitments	Pages 6-7: About the Report; Page 164: Corporate behaviour
	2-24 Embedding policy commitments	Page 217: Risk Management
	2-26 Mechanisms for seeking advice and raising concerns	Page 40: Stakeholder Engagement Process Page 116: Employee engagement and communication
	2-27 Compliance with laws and regulations	Page 203: Fines imposed by other legal entities
	2-29 Approach to stakeholder engagement	Page 39: Stakeholders
GRI 3: Material Topics 2021	3-1 Process to determine material topics 3-2 List of material topics 3-3 Management of material topics	Pages 44-45: Materiality Pages 44-45: Materiality Pages 44-45: Materiality; Page 149: Climate change; Page 155: Human capital; Page 157: Supply chain labour standards; Page 181: Governance
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Page 151: Financing environmental impact; Page 154: Environmental opportunities

GRI content index

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements

Supplementary

GRI STANDARD	Disclosure	Location
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Page 159: Social opportunities
	203-2 Significant indirect economic impacts	Page 159: Social opportunities
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 135: Procurement; Page 157: Supply chain labour standards
GRI 207: Tax 2019	207-1 Approach to tax	Page 162: Tax transparency and financial reporting
	207-2 Tax governance, control, and risk management	Page 162: Tax transparency and financial reporting
GRI 302: Energy 2016	302-4 Reduction of energy consumption	Page 150: Infographic
GRI 303: Water and Effluents 2018	303-2 Management of water discharge-related impacts	Page 153: Water stress
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 153: Land use and biodiversity
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	Page 154: Pollution and waste
	306-3 Waste generated	Page 153: Material sourcing; Page 154: Pollution and waste
	306-4 Waste diverted from disposal	Page 154: Electronic waste

GRI content index

GRI STANDARD	Disclosure	Location
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 108: Total new hires by age group and gender
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 114: Salaries and benefits
	401-3 Parental leave	Page 115: Parental leave by gender 2023
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Page 116: HR Governance
	403-3 Occupational health services	Pages 155-156: Health and safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 155-156: Health and safety
	403-5 Worker training on occupational health and safety	Pages 155-156: Health and safety
	403-6 Promotion of worker health	Pages 155-156: Health and safety
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 117: Learning and development
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 117: Learning and development; Page 136: Training and development; Page 156: Human capital development
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 159: Social opportunities

glossary of key islamic finance terms

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
Supplementary

Ajr
commission or fee charged for services

Akar
instalment sale to invest in property

Financing to give customers an opportunity to invest in property with repayment to the Bank in the form of instalments over a period of time.

Bai al Arboon
down payment sale
A sale agreement

In which a down payment is provided in advance as part payment towards the price of the commodity for reserving the commodity. The down payment is forfeited if the buyer does not return to take the commodity and the seller is entitled to sell the commodity.

Bai Al Ajel
deferred payment sale

A sale on a deferred payment basis. Equipment or goods are sold by the Bank to the client for an agreed lump sum price which includes the profit required by the Bank without disclosing the cost. The client may pay by instalments within a pre-agreed period, or in a lump sum.

Bai Inah
sale and buy-back

The sale and buy-back of an asset for a higher price than that for which the seller originally sold it. The seller immediately buys back the asset just sold on a deferred payment basis at a price higher than the original price. This can be seen as a loan in the form of a sale.

Eirad
credit facilities granted against assignment of an income stream for a specific period.

Fiqh
Islamic jurisprudence

Gharar
uncertainty

One of three fundamental prohibitions in Islamic finance (the other two being Riba and Maysir). Gharar is a concept that covers certain types of haram uncertainty whereby one or more parties stand to be deceived through ignorance of an essential element in the contract. Gambling is a form of Gharar because the gambler is ignorant of the result of the gamble. The prohibition on Gharar is often used as the grounds for criticism of conventional financial practices such as short selling, speculation and derivatives.

Halal
lawful, permissible

Haram
unlawful, forbidden

Activities, professions, contracts and transactions that are explicitly prohibited by the Quran or the Sunnah.

Hawala
bill of exchange, remittance

A contract which allows a debtor to transfer his debt obligation to a third party who owes the former a debt. The mechanism of Hawala is used for settling international accounts by book transfers, thus obviating the need for a physical transfer of cash.

Ijara
leasing

A lease agreement whereby a bank or financier buys an item for a customer and then leases it to him over a specific period, thus earning profits for the Bank by charging rental. The duration of the lease and the fee are set in advance. During the period of the lease, the asset remains in the ownership of the lessor (the Bank), but the lessee has the right to use it. After the expiry of the lease agreement, this right reverts to the lessor.

Ijara Thumma Bai
leasing to purchase

The same principle governing an Ijara contract, but at the end of the lease period the lessee buys the asset for an agreed price through a purchase contract.

Ijarah wa Iqtina
buy-back leasing

Istisnaa
advance purchase of goods or buildings

A contract of acquisition of goods by specification or order, where the price is paid in advance, or progressively in accordance with the progress of a job. For example, to purchase a yet to be constructed house, payments would be made to the builder according to the stage of work completed. This type of financing, along with Salam, is used as a purchasing mechanism, and Murabaha and Bai Al Ajel are for financing sales.

Kafalah
guarantee

Sharia principle governing guarantees. It applies to a debt transaction in the event of a debtor failing to pay.

Maysir
gambling

One of three fundamental prohibitions in Islamic finance (the other two being Riba and Gharar). The prohibition on Maysir is often used as grounds for criticism of conventional financial practices such as speculation, conventional insurance and derivatives.

Mudaraba
trust financing, profit sharing

An investment partnership, whereby the investor (the Rab al mal) provides capital to the entrepreneur (the mudarib) in order to undertake a business or investment activity. While profits are shared on a pre-agreed ratio, losses are born by the investor alone. The mudarib loses only his share of the expected income.

The investor has no right to interfere in the management of the business, but he can specify conditions that would ensure better management of his money. In this way Mudaraba is sometimes referred to as a sleeping partnership.

A joint Mudaraba can exist between investors and a bank on a continuing basis. The investors keep their funds in a special fund and share the profits before the liquidation of those financing operations that have not yet reached the stage of final settlement. Many Islamic investment funds operate on the basis of joint Mudaraba.

glossary of key islamic finance terms

Mudarib entrepreneur in a Mudaraba contract

The entrepreneur or investment manager in a Mudaraba who puts the investor's funds in a project or portfolio in exchange for a share of the profits. A Mudaraba is similar to a diversified pool of assets held in a discretionary asset management portfolio.

Murabaha cost-plus financing

A form of credit in which the Bank buys an item and sells it to the customer on a deferred basis. The price includes a profit margin agreed by both parties. Repayment, usually in instalments, is specified in the contract.

The legality of this financing technique has been questioned because of its similarity to Riba. However, the modern Murabaha has become a popular financing technique among Islamic banks, used widely for consumer finance, real estate and the purchase of machinery and for financing short-term trade.

Musharaka joint venture, profit and loss sharing

An investment partnership in which all partners are entitled to a share in the profits of a project in a mutually agreed ratio. Losses are shared in proportion to the amount invested. All partners to a Musharaka contribute funds and have the right to exercise executive powers in that project, similar to a conventional partnership structure and the holding of voting shares in a limited company.

This equity financing arrangement is widely regarded as the purest form of Islamic financing. The two main forms of Musharaka are –

- Permanent Musharaka: an Islamic bank participates in the equity of a project and receives a share of the profit on a *pro rata* basis. The length of contract is unspecified, making it suitable for financing projects where funds are committed over a long period.
- Diminishing Musharaka: this allows equity participation and sharing of profits on a *pro rata* basis, and provides a method through which the Bank keeps on reducing its equity in the project, ultimately transferring ownership of the asset to the participants. The contract provides for payment over and above the Bank's share in the profit for the equity held by the Bank. Simultaneously the entrepreneur purchases some of the Bank's equity, progressively reducing it until the Bank has no equity and thus ceases to be a partner.

Mutajar an asset financing mechanism with deferred payment

A financing agreement whereby the bank purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, thus making the client a debtor to the Bank for the sale amount and for the period agreed in the contract.

Qard Hasan benevolent loan

A loan contract between two parties for social welfare or for short-term bridging finance. Repayment is for the same amount as the amount borrowed. The borrower can pay more than the amount borrowed so long as it is not stated by contract.

Riba interest

An increase, addition, unjust return, or advantage obtained by the lender as a condition of a loan. Any risk-free or "guaranteed" rate of return on a loan or investment is Riba. Riba in all its forms is prohibited in Islam.

In conventional terms, Riba and "interest" are used interchangeably, although the legal notion extends beyond mere interest.

Sharia Islamic jurisprudence

Sukuk Islamic bond

An asset-backed bond which is structured in accordance with Sharia and may be traded in the market. A Sukuk represents proportionate beneficial ownership in the underlying asset, which will be leased to the client to yield the return on the Sukuk.

Takaful Islamic insurance

Based on the principle of mutual assistance, Takaful provides mutual protection of assets and property and offers joint risk-sharing in the event of a loss by one of the participants. Takaful is similar to mutual insurance

in that members are the insurers as well as the insured. Conventional insurance is prohibited in Islam because its dealings contain several haram elements, such as Gharar and Riba.

Tawarruq reverse Murabaha

In personal financing, a client with a genuine need buys an item on credit from the Bank on a deferred payment basis and then immediately resells it for cash to a third party. In this way, the client can obtain cash without taking out an interest-based loan.

Ujrah fee

The financial charge for using services, or Manfaat (wages, allowance, commission, etc.).

Waqf charitable trust

Zakat religious tax

An obligatory contribution which every wealthy Muslim is required to pay to the Islamic state, or to distribute amongst the poor. According to Islam, Zakat – the third pillar of Islam – purifies wealth and souls. Zakat is levied on cash, cattle, agricultural produce, minerals, capital invested in industry and business.

corporate information

Overview
Context
Business in Perspective
ESG Report
Corporate Governance
Financial Statements
● **Supplementary**

Name

Al Rajhi Banking and Investment Corporation

Trade Name

Al Rajhi Bank

Commercial Registration No.

1010000096

Registered Logo



Legal Form

A Saudi joint stock company, formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (29 June 1987), in accordance with Article 6 of the Council of Ministers Resolution No. 245, dated 26 Shawal 1407H (23 June 1987).

Stock Exchange Listing

The shares of the Bank are listed on the Saudi Stock Exchange (Tadawul).
Stock code: 1120.SE

Subsidiary Companies and Branches

Name of subsidiary	Country of operation	Country of establishment
Al Rajhi Capital Company – KSA	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tuder Real Estate Company – KSA (formerly: Al Raji Real Estate Development Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Management and Development for Human Resources Company (Tanfeeth)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
International Digital Solutions Co. (Neoleap)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Emkan Finance Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Ejada Systems Limited Co	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Corporation Limited – Malaysia	Malaysia	Malaysia
Al Rajhi Bank – Jordan	Jordan	Jordan
Al Rajhi Bank – Kuwait	Kuwait	Kuwait
Tawtheeq company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rajhi Financial Markets Ltd	Cayman Islands	Cayman Islands

Auditors

Ernst and Young
KPMG Al Fozan & Partners

Head Office/Registered Office

Al Rajhi Bank
8467, King Fahd Road – Al Muruj District
Unit No. 1
Riyadh 12263 – 2743
Kingdom of Saudi Arabia
Tel: +966920003344 (KSA) |
+966114603333 (International)
Fax: +966114603351, +966114600705
Web: www.alrajhibank.com.sa
E-mail: care@alrajhibank.com.sa

