INTEGRATED REPORT | 2021

البنك السعودي للاستثمار
The Saudi Investment Bank

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

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

ABOUT THIS REPORT

This is The Saudi Investment Bank's GRI 102-1 (the Bank) fifth Integrated Annual Report (IR). The Bank uses the IR to convey to its Stakeholders its strategy, governance, performance, and prospects within the context of the operating environment and how it creates value in the short, medium, and long-term.

Integrated reports balance the need to communicate effectively through concise, relevant information while providing comprehensive compliance-related disclosures. The Report is available in print and PDF format.

Report boundary GRI 102-46

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

Reporting period GRI 102-49, 102-50, 102-51, 102-52

This report covers the period from January 1 to December 31, 2021 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. There are no restatements of information provided in previous reports GRI 102-48 and no significant changes from previous reporting periods in the scope and aspect boundaries.

This IR is issued in both English and Arabic. In the event of a discrepancy, the Arabic version shall prevail.

Compliance GRI 102-12

The information contained herein, as in the past, is in compliance with all applicable laws, regulations, and standards.

Integrated reporting framework

In preparing this IR, we have drawn on concepts, principles, and guidelines given in the International (IR) Framework.

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

Financial reporting standards

The Consolidated Financial Statements for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA). They are in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bylaws of the Bank.

Sustainability reporting disclosures GRI 102-54

The revised Global Reporting Initiative (GRI)'s Universal Standards 2021, which have been released for public use, are still in the process of developing sector standards for the banking industry. We have therefore prepared this report in accordance with the GRI Standards 2016: Core option. The effective date for implementing the GRI Universal Standards 2021 is January 1, 2023.

Queries GRI 102-53

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

Forward looking statements

Certain information contained in this report may constitute 'forward looking statements'. These may involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group and its subsidiaries to be materially different from the future results, performance or achievements stated or implied.

The Group has no obligation to publicly update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have also not been reviewed or reported on by the Group's Auditors.

REPORT NAVIGATION ICONS

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

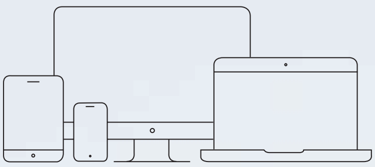
Digitization

Innovation

Focus

Agility

Speed



The SAIB Integrated Report online

The PDF version is published online on the same date as the date of issue of this Integrated Report at https://www.saib.com.sa/integratedreport2021

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2021 AT A GLANCE GRI 102-7

01

2021 VALUE CREATION
HIGHLIGHTS

FINANCIAL CAPITAL (SAR)

2,823 million
Total income [1]
2.4% YOY ↓

1,284 million
Total expenses [2]
5.77% YOY ↑

1,539 million
Operating profit before provisions
8.32% YOY ↓

1,062 million
Net income
8.4% YOY ↑

7.55%
Return on average Shareholders' equity
0.18% YOY ↓

1.05%
Return on average assets
0.08% YOY ↑

28.8 billion
Investment portfolio
5.57% YOY ↓

16.05%
Equity to total assets
0.7% YOY ↑

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

INSTITUTIONAL CAPITAL

SAR 14.67 billion
Market capitalization
22.25% YOY

0.70
Dividends
per share

EMPLOYEE CAPITAL (SAIB ONLY)

1,353
Permanent employees
2% YOY ↑

91%
Saudization
1% YOY ↑

176
Training programs
11% YOY ↑

15,541
Formal training hours
28% YOY ↑

CUSTOMER CAPITAL

51
Branches
<0% YOY

3
Special needs branches
0% YOY

657,677
Customers (including Personal Banking, Corporate Banking and MSME's)
7% YOY ↑

SOCIAL AND RELATIONSHIP CAPITAL

8,968 kg
Of paper recycled
88% YOY ↑

2,512 kg
Of plastic recycled
1% YOY ↓

117
Volunteers in 2021
11% YOY ↓

OUR APPROACH TO VALUE CREATION

A truly integrated report shows the flow of strategizing and decision-making that leads to value being created for Shareholders, people and the planet.

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

WHO WE ARE AND WHAT WE DO

OUR VISION & VALUES

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

OUR PRODUCTS & SERVICES

- Retail banking
- Corporate banking
- Treasury and investments

CHALLENGES AND OPPORTUNITIES THAT COULD IMPACT ON OUR ABILITY TO CREATE VALUE

OUR OPERATING ENVIRONMENT

The Bank reviews its operating environment to identify the economic, environmental and social factors that Management believes could most substantively impact the Group's ability to create value.

MATERIAL RISKS & OPPORTUNITIES

Having identified the Bank's risks and opportunities, we can minimize each risk and maximize each opportunity.

OUR STRATEGY

- DIGITIZATION
- INNOVATION
- FOCUS
- AGILITY
- SPEED

VALUE CREATION

FOR OUR KEY STAKEHOLDERS	BY IMPLEMENTING OUR SUSTAINABILITY PILLARS
Regulators	Hifth (Environmental protection)
Customers	Awn (Helping others)
Employees	Nummow (Growth)
Business partners	Re'aya (Workforce)
The community	Takleef (Responsibility)
Investors	

OUR 3 P'S

- People
- Profit
- Planet

LETTER FROM THE CHAIRMAN GRI 102-14

Abdallah Saleh Jum'ah
Chairman

Although characterised by a global pandemic, the last two years have served as a catalyst for positive change - not just for our Bank, but also the entire Kingdom and, indeed, much of the world. When the pandemic first arrived, Saudi Arabia's Vision 2030 was already well underway and creating positive benefits for the people and businesses of the Kingdom. The strong foundation that had already been laid through implementing the Vision has catalysed purposeful collaborations between the public and private sectors. The Saudi Investment Bank is proud to be part of the Kingdom's ongoing evolution into a more prosperous and diversified economy.

Collaborating for success

The Government delivered massive support, including to the financial sector, through the Ministry of Finance and the Saudi Central Bank. This substantive input has helped to cushion the financial sector and the economy in whole over the past year, while delivering on our commitments to provide much-needed financial support to society.

The willingness of our fellow financial institutions to share knowledge, learning and experiences has also stood the industry in good stead. This spirit of collaboration has ensured that the Kingdom's banking sector finds itself well equipped to manage any future pandemics. The Saudi Investment Bank is continuing to do business as usual, without placing employees or clients at undue risk. This was made possible by enhancing our online channels and embedding strict protocols for meetings in person.

Operating environment

Beyond the challenges of COVID-19, we consider ourselves highly fortunate to be supported by a dynamic central bank with progressive, transparent, and forward-looking policies that make it easy for financial institutions such as The Saudi Investment Bank to plan and strategize for the future. The Saudi Investment Bank, with our agile corporate culture and strong digital capabilities, was and is well-positioned to take advantage of the opportunities presented.

In fact, the Kingdom's macro-economic situation as a whole is most positive. We are benefiting from rising crude oil prices as international COVID-19 restrictions eased, steady growth in non-oil sectors, and healthy competition across all sectors, including banking. We welcome competition because it demonstrates a vibrant, dynamic and growing financial services sector in our markets. I am confident that the Bank has the agility, innovation and exceptional talent to leverage the Kingdom's solid macro-economics for the benefit of The Saudi Investment Bank and its customers.

I take this opportunity to express my appreciation to all our stakeholders for the vital part they have played in ensuring the continued success and growth of our business over the past financial year. A special "thank you" goes to our Government, under the stewardship of The Custodian of the Two Holy Mosques and His Royal Highness The Crown Prince. Their strong leadership and bold actions have been invaluable over the past year, not only for the financial sector, but for the entire Kingdom. A thank you, also, to the Saudi Central Bank (SAMA) for its unwavering support and strong guidance. And finally, my heartfelt appreciation to the Board of Directors, the Executive Management, and all the talented and dedicated employees who make our Bank the respected and successful organisation it is.

Total operating income

SAR
2,768
million

Net income

SAR
1,062
million

The Saudi Investment Bank in Context

02


البنك السعودي لل
di Investment Bank

A BRIEF PROFILE

OUR HISTORY

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

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

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

Our network (as at December 31, 2021)

51 branches of which 48 offer Shariah-compliant banking services and products	**379 ATMs**	**Over 6,660** point of sale (POS) terminals

PRODUCT PORTFOLIO GRI 102-2

Personal Banking	Corporate Banking and SME	Treasury and Investment Group
Accounts	Small and Medium Enterprises	Liquidity Management
Customer Programs	Corporate	Foreign Exchange
Finance	Cash Management	Structured Products
Cards	Trade Finance Solutions	
E-Banking		

GROUP STRUCTURE GRI 102-5, 102-6

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

Alistithmar for Financial Securities and Brokerage Company (ICAP)

Brokerage, asset management, investment banking and other services within the Kingdom.

The Saudi Real Estate Company

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

SAIB Markets Limited Company

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

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

American Express (Saudi Arabia)

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

Ownership 50%

Yanal Finance company (formerly "Saudi ORIX Leasing Company") ("Yanal").

Primarily deals in lease financing services.

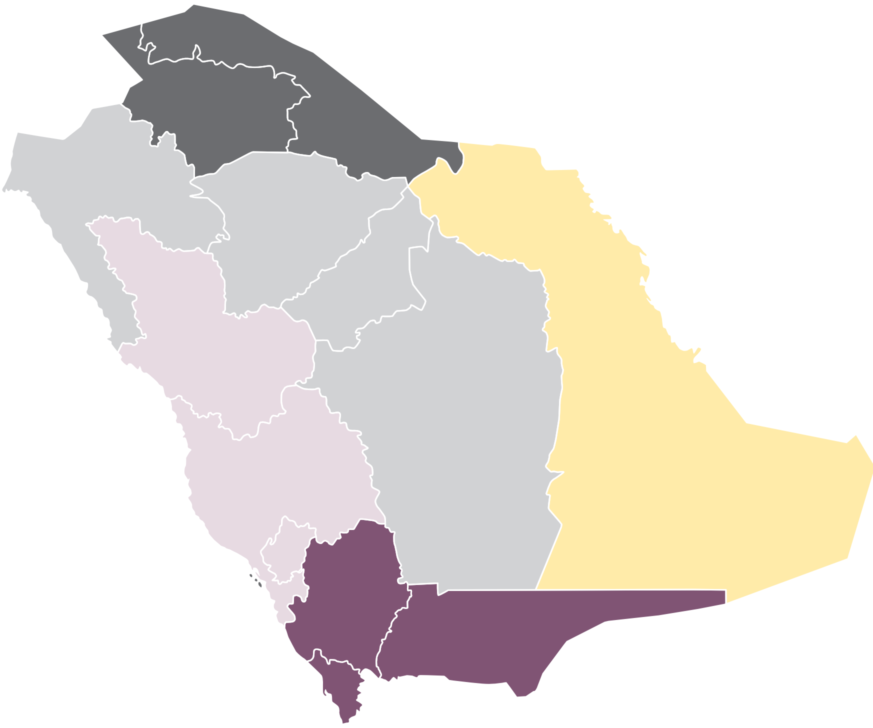
Ownership 38%

Amlak International for Finance and Real Estate Development Company

Offers real estate products and services.

Ownership 22.4%

OPERATING FOOTPRINT GRI 102-4, 102-6, 102-7



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

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

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

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

Southern region
Najran Branch
Khamis Mushait Branch
Jazan Branch
Ahd Rafidah Branch
Abha Branch

Northern region
Tabouk Branch
Hail Branch

SNB - Special Needs Branch


إيداع نقدي / سحب نقدي
إيداع العملات المعد
سحب نقدي
Cash Withdrawal
إيداع نقدي
Cash Deposit

OUR LEADERSHIP
TEAM

BOARD OF DIRECTORS

Mr. Abdallah Saleh Jum'ah
Chairman of the Board

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

Appointed:
February 14, 2010

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

Mr. Abdulaziz Al-Khamis
Vice Chairman of the Board

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

Committees:
Nomination and Remuneration Committee

Appointed:
February 14, 2007

Education:
- Bachelor of Economics – Northeastern University (USA)

Mr. Abdul Rahman Al-Rawaf
Board Member

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

Committees:
Nomination and Remuneration Committee

Appointed:
February 14, 2010

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

Mr. Yasser Aljarallah
Board Member

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

Committees:
Governance Committee (Chairman), Risk Committee

Appointed:
February 14, 2019

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

Mr. Saleh Al-Athel
Board Member

He progressed through various executive positions within the Saudi Industrial Development Fund, culminating in his appointment as the Assistant Director General. He serves as a board member of several companies.

Committees:
Nomination and Remuneration Committee, Governance Committee

Appointed:
February 14, 2019

Education:
- Bachelor of Philosophy and Sociology – Damascus University (SY)
- Higher Diploma (Management) – University of Hartford (USA)

Dr. Fouad Al-Saleh
Board Member

He occupied numerous positions in the Government until his retirement as a Colonel in the Ministry of Defense. He is currently a partner in numerous construction related companies.

Committees:
Nomination and Remuneration Committee (Chairman)

Appointed:
February 14, 2013

Education:
- Bachelor of Civil Engineering (Civil Engineer) St. Martin College, Olympia, Washington
- Masters of Civil Engineering (Construction Management), University of Washington, Seattle
- PhD of Civil Engineering (Construction Management), University of Washington, Seattle

Mr. Mohammad Al-Ali

Board Member

Former Senior Vice President of Finance at Saudi Aramco. He served on several of the company's executive committees.

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

Appointed:
July 01, 2014

Education:

- MBA – University of Denver (USA)
- Bachelor of Accounting – University of Texas at Arlington (USA)
- Education program for executives, Carnegie Mellon University and Oxford University Creative Placement Center

Mr. Mohammed Algrenees

Board Member

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

Committees:
Risk Committee (Chairman)

Appointed:
February 14, 2019

Education:

- Bachelor of Chemical Engineering – Kuwait University (KUWT)

Mr. Mohammed Bamaga

Board Member

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

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

Appointed:
February 14, 2019

Education:

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

MANAGEMENT TEAM

Mr. Faisal Abdullah Al-Omran
Chief Executive Officer

Mr. Salman Badar Al-Fughom
Deputy Chief Executive Officer

Mr. Mohammed Abdulaziz Al-Fraih
Chief Operating Officer

Mr. Majed Abdulghani Fakeeh
General Manager – Corporate Banking

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

Mr. Shankar Chattanathan
Chief Financial Officer

Mr. Naif Al-Hammad
Treasurer and Chief Investment Officer

Mr. Badr Ahmed Allaf
Chief Compliance Officer

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

Mr. Mansour Mohammed Al-Obaikan
Chief Risk Officer

Ms. Nasreen Saad Aldossary
Chief Human Resources Officer

Mr. Rakan Khaled Al-Musa
Chief Internal Auditor

Mr Thamer Soliman Al-Humayyd
General Manager - Quality

THE SAUDI INVESTMENT BANK
CORPORATE IDENTITY GRI 102-16

OUR VISION

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

OUR MISSION

Towards our customers

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

Towards our employees

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

OUR VALUES

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

OUR 3 P'S

People

Profit

Planet

OUR SUSTAINABILITY FRAMEWORK GRI 102-16

OUR APPROACH AND PHILOSOPHY

For the Bank to create true value in the short, medium and long-term, it is not only important that we remain financially successful, but that we increase the wealth of all our Stakeholders.

Our sustainability framework encompasses 5 Islamic principles, crafted to integrate our commercial responsibilities with our social and environmental responsibilities. They also reflect Islamic principles of good governance and management.

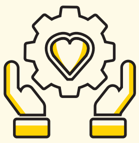
These pillars are applied throughout our organization – every department is responsible for applying each pillar in terms of Profit, Planet and People, translating every element into measurable targets for both social and business impact.

Hifth (Environmental protection)

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

Social impact: Expanding the contribution of the green, low-carbon economy to GDP and increasing the number of green jobs available.

Business impact: Gaining revenue from our investment in the green, low carbon economy and reducing the risk to our investment portfolio.



Awn (Helping others)

The Bank will measure not only the amount of money it invests, but the extent and effectiveness of its impact.

The Bank will focus its investments in areas where it can contribute money, tools, and expertise.

Social impact: Increasing economic empowerment and reducing poverty.

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

Nummow (Growth)

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

Social impact: Encouraging Kingdom citizens' interest in entrepreneurship and increasing the MSME contribution to GDP.

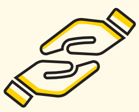
Business impact: Expanding our MSME customer base while increasing the sophistication of our processes and services and reducing the credit risk of our MSME customers

Re'aya (Workforce)

The Bank will be the most sought after Bank to work for, owing first and foremost to its transparency and accountability to both its employees and society.

Social impact: Increasing the number of volunteers within the Bank and increasing the number of hours they spend on a growing number of volunteer activities.

Business impact: : Creating a volunteer culture within the Bank, thereby addressing the national agenda to grow the number of volunteer activities in the Kingdom.



Takleef (Responsibility)

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

Social impact: Expanding the Kingdom's citizens' financial management knowledge and skill.

Business impact: : Increasing the sophistication of our processes and services and reducing the credit risk of retail customers. Increasing customer deposits.

SAUDI VISION 2030

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

A vibrant society

Vision / goals	The Saudi Investment Bank's contribution
Living by Islamic values	The Islamic principles of Hifith, Awn, Nummow, Rea'ya and Takleef.
Focusing our efforts to serve Umrah* visitors	Financing general infrastructure.
Living healthy, being healthy	Promoting a healthy life via the Bank's social media channels.
Developing our cities	Urban infrastructure project finance.
Achieving environmental sustainability	The Bank's Building Management System continues to show a reduction of water and electricity consumption across the Bank's operations.
Caring for our families	Emphasis on work life balance.
Caring for our health	Supporting the Kingdom-wide drive for all citizens and residents to observe COVID-19 protocols.

A thriving economy

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

An ambitious nation

Vision / goals	The Saudi Investment Bank's contribution
Embracing transparency	The Saudi Investment Bank Code of Conduct and Whistleblowing policies
Engaging everyone	Using all the Bank's channels to communicate regularly with all Stakeholders
Being responsible for our lives	Keeping safe during the COVID-19 pandemic
Being responsible in business	Bank policies for the protection of all Stakeholders
Being responsible to society	Customer Awareness activities

* Islamic pilgrimage to Mecca

The financial sector development program

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

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

National 2025 commitment	The Saudi Investment Bank's contribution
Increase the total assets of the banking sector to **SAR 3,515 billion**	Bank total assets: **SAR 101.6 billion**
Increase the market value of the stock market to **80.8% of GDP**	Bank market capitalization: **SAR 14.67 billion**
Increase the volume of debt instruments to **24.1% of GDP**	Sukuks issued to bolster Tier 1 capital: **SAR 1.5 billion**
Enable digital innovation by issuing licenses to fintechs and other companies	We support or collaborate with several licensed fintechs and organizations.
Increase the share of SME financing in banks to **11%.**	MSME loans as percentage of on balance sheet loans: **9.68%**
Increase the share of non-cash transactions to **70%.**	Number of cashless transactions in 2021: **366,544,967**

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

OUR CHANGING OPERATING ENVIRONMENT

THE GLOBAL ECONOMY

The world economy is experiencing a strong but uneven recovery from the COVID-19 pandemic. Growth is concentrated in a few major economies, with most emerging markets and developing economies (EMDEs) lagging. In low-income countries, the effects of the pandemic are reversing earlier gains in poverty reduction, while compounding food insecurity and other long standing challenges. EMDE policymakers have a difficult balance to maintain as they seek to nurture economic recovery while safeguarding price stability and fiscal sustainability.

Figure 1.A Quarterly GDP Growth

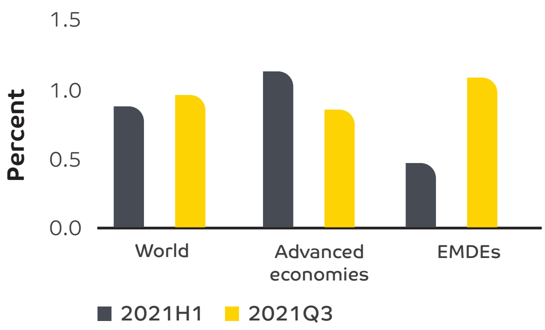
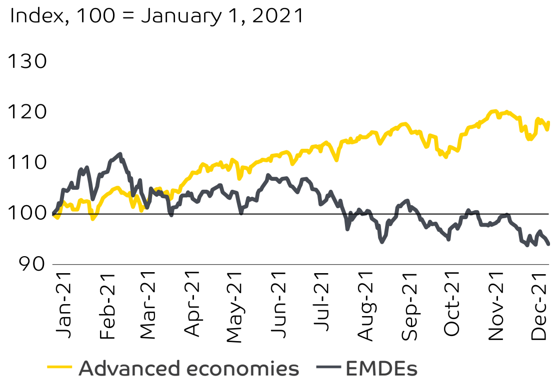


Figure 2.A Equity market indexes



Source: World Bank

The threat of the Omicron and later variants notwithstanding, the near-term outlook for the global economy is promising. GDP growth is expected to continue rising in 2022, led by continued expansions in the US and Asia. Fitch Ratings credit rating agency expects the global GDP to grow by 5.7% in 2021. However, the economic outlook for the United States (US), Japan and Germany were revised downward starting September 2021 following pandemic-related disruption to industrial production, with semiconductor and electronic components in short supply. COVID-19's impacts are far from over.

With global demand also rising, cost pressures in commodity markets (particularly energy and food) are increasing. Elevated inflation is likely to persist globally in 2022 and potentially into 2023, as disruptions to the supply chains continue. Central banks around the world are shifting towards less accommodative monetary policies, including higher interest rates, to counteract inflation.

THE GULF COOPERATION COUNCIL (GCC) ECONOMIES

Driven by a reduction in energy-related economic output, overall GDP declined by 4.8% in 2020. For 2021, a stronger contribution from non-energy related GDP is expected to contribute to 3.5% overall GDP growth, while resumed global oil demand should bolster 2022 GDP growth to 5.5%.

While oil prices were expected to decline in 2022, following the end of OPEC+ production cuts that would trigger a surge in supply, the Russia-Ukraine conflict caused prices to soar to new highs.

While it is unclear how long the conflict in Ukraine is likely to last or what the long-term impacts on the sector will be, GCC countries who pursue diversification strategies that support the non-oil economy are likely to benefit from increased stability, independent of the oil prices, in the longer term.

SAUDI ARABIA: MACROECONOMIC FACTORS

As one of the world's biggest oil exporters, the Kingdom was hard-hit by the oil price lows in recent years, entering a recession in 2020. In a pleasing turnaround, Saudi Arabia achieved GDP growth of 2.8% on the back of international market recoveries from COVID-19, higher oil prices, and a growing non-oil energy sector.

The private sector, however, does not appear to be optimistic at present. According to the latest Purchasing Managers Index (PMI) update from IHS Markit, business sentiment declined to an 18-month low in December as private companies halted new orders and hiring slowed down – concerns over the pandemic were compounded by fears of heightened inflation and stronger competition in the market. Business sentiment should improve however, based on how quickly international business increases and new local business grows. According to the Kingdom's 2022 budget, the national economy is expected to show its first budget surplus in nearly 10 years, with the IMF predicting GDP growth of 4.8%. Saudi Arabia will continue to manage oil production carefully in line with international demand, while supporting non-oil sectors for long-term growth.

REGULATIONS

Saudi Arabia is fortunate to have a dynamic and future-forward central bank that helps the banking sector to be sustainable through responsive policies and regulation. Following the spread of COVID-19, the Saudi Central Bank (SAMA) unveiled several stimulus packages to support banks in the Kingdom. At the same time SAMA also supports fintech and digital banking sectors as part of Vision 2030.

Anti-money laundering (AML) and counter-terrorism financing (CTF) remains front-of-mind in the banking sector, in line with the expectations of the Financial Action Task Force (FATF). The COVID-19 pandemic provided a prime opportunity to combine Know Your Customer (KYC) controls with digital customer onboarding processes.

The onboarding and data gathering processes of our banks also needs to be carefully assessed for compliance in light of Saudi Arabia's intergovernmental agreement with USA authorities as part of the Foreign Account Tax Compliance Act (FATCA) and the Organization for Economic Co-operation and Development (OECD)'s Multilateral Convention on Mutual Administrative Assistance on Tax Matters.

Globally, electronic invoicing (or e-invoicing) regulations are on the rise as governments attempt to limit commercial concealment. In Saudi Arabia, the Zakat, Tax and Customers Authority (ZTCA) implemented new e-invoicing regulations on December 4, 2021. These will improve the efficiency of tax filing processes and compliance.

Another global trend is the move away from using the London Inter-Bank Offered Rate (LIBOR) by December 31, 2021. Regulators prefer rates based on actual transactional data. The transition is an extensive process that affects banks in particular. The Saudi Investment Bank has already made the shift to the Saudi Arabian Interbank Offered Rate (SAIBOR).

As at March 1, 2022, Saudi Arabia had recorded approximately 744,000 COVID-19 cases and almost 9,000 deaths. While the virus declined significantly in the last quarter of 2021, the Kingdom experienced a sharp rise at the start of 2022 – driven by the new Omicron variant. To help flatten the curve of coronavirus cases in the Kingdom, the Saudi Data and Artificial Intelligence (SDAIA) developed and distributed the Tawakkalna mobile application in partnership with the Ministry of Health, to track infection data as well as individuals' infection history and vaccination status.

A positive outcome of the COVID-19 pandemic was an unprecedented level of collaboration between the public and private sector, both in Saudi Arabia and across the region. Industry players met to discuss solutions to the challenges posed by the pandemic and to share knowledge and experience. This contributed to the support that SAMA provided to the banking sector during this time.

COMPETITION

The global banking sector is experiencing the change brought on by the Fourth Industrial Revolution. Banks need to digitalize to stay relevant as numerous fintechs enter the market with innovative and agile products and services, built to reach the market through technology. Fintechs are often subject to fewer input costs, allowing them to compete with bigger institutions on price.

In Saudi Arabia, Vision 2030 welcomes this trend and commits to supporting fintechs. SAMA issued Payment Services Provider Regulations (PSPR) for foreign fintechs and issued new licensing guidelines for digital-only banks. In response, banks are investing in and building partnerships with fintechs, while pursuing digitalization and providing more digital offerings to customers.

CONSUMER TRENDS

Of a total Saudi Arabia population of 35 million, 96% of Saudi Arabia's people are internet users – one of the highest smartphone penetration rates in the world. The population is also relatively young – almost 25% of the Kingdom's citizens are under the age of 14. It is therefore unsurprising that digitalization is on the rise, driven by a technology-savvy youth and amplified by the restrictions that COVID-19 placed on in-person retail and business.

At the same time, Saudi Arabia's retail market is expected to grow by approximately 20% in 2022, with a strong shift towards online retail. The value of ecommerce is expected to double.

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

OUR KEY RELATIONSHIPS GRI 102-40, 102-42, 102-43, 102-44

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

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

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

Sources:
https://datareportal.com/reports/digital-2022-saudi-arabia
https://www.statista.com/statistics/262478/age-structure-in-saudi-arabia/

OUR SUSTAINABLE BUSINESS MODEL

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

RESOURCES	INPUTS
FINANCIAL CAPITAL The pool of funds supporting business operations, including cash, loans, advances and other receivables.	• SAR 16.3 billion equity (2020: SAR 15.3 billion) • SAR 81 million debt capital (2020: SAR 108 million) • SAR 61.5 billion customer deposit cash inflows (2020: SAR 60.1 billion)
INVESTOR CAPITAL The individuals, companies or entities that invest capital with an expectation of generating a return.	• Cash dividend per share SAR 0.70 (2020: SAR 0.40) • Bonus Shares 1 : 3 Higher share price
CUSTOMER CAPITAL The people who look to us to provide them with innovative and appropriate products and services that fulfill their needs.	• Skilled employees to serve customers • Digital capabilities • Data analytics • Automation
EMPLOYEE CAPITAL The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with our objectives.	• 1,353 permanent employees (Bank only) • Experienced and ethical leadership team • Recruitment and headcount management system • Performance management system • Tools for remote working • Automation

VALUE CREATION ACTIVITIES

WHAT WE DO

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

Retail banking

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

Corporate banking

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

Treasury

Management of foreign exchange transactions, liquidity, and Sukuk issues

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

HOW WE DO IT:

We improve our services and solutions through a focus on:

- Digitization
- Agility
- Speed
- Innovation
- Focus

Our value creation process is underpinned by:

CORPORATE GOVERNANCE

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

OUTPUTS	OUTCOMES
• Net income SAR 1,062 million (2020: SAR 980 million) • Operating profit before provisions: SAR 1,539 million (2020: SAR 1,678 million) • Operating expenses before provisions for credit and other losses: SAR 1,284 million (2020: 1,214 million) • Provisions for Zakat, net: SAR 206 million (2020: SAR 249 million)	We leverage financial capital to invest in our business and grow our competitive market position while delivering value to our Stakeholders.
• Dividends per share to be distributed: SAR 0.70 (2020: SAR 0.40) • Dividends to be distributed: SAR 525 million	**Value delivered** • Growing dividend payments • Long-term financial benefit **Value derived** • A loyal pool of investors who takes a long-term view on the Bank
• Customer base growth: 7% (2020: 9%)	**Value delivered** • Highly competitive and easily usable products and services • Increased reach through traditional and non-traditional channels • Increased efficiency gains for customer-facing processes **Value derived** • Strong brand recognition • Growing customer base • Growth in market share
• Employee number growth: 2% • Female representation: 24% • Saudization: 91% • Salaries and employee-related expenses: SAR 687 million (2020: SAR 672 million) • Employees trained during FY21: 40% • Turnover rate: <1% (2020: 1%)	**Value delivered** • Professional development • Clear advancement opportunities • A positive and productive work culture **Value derived** • A dedicated and empowered workforce with high rates of employee retention • Attracting the best talent as an employer of choice • Internal efficiency gains • Diversity and Saudization

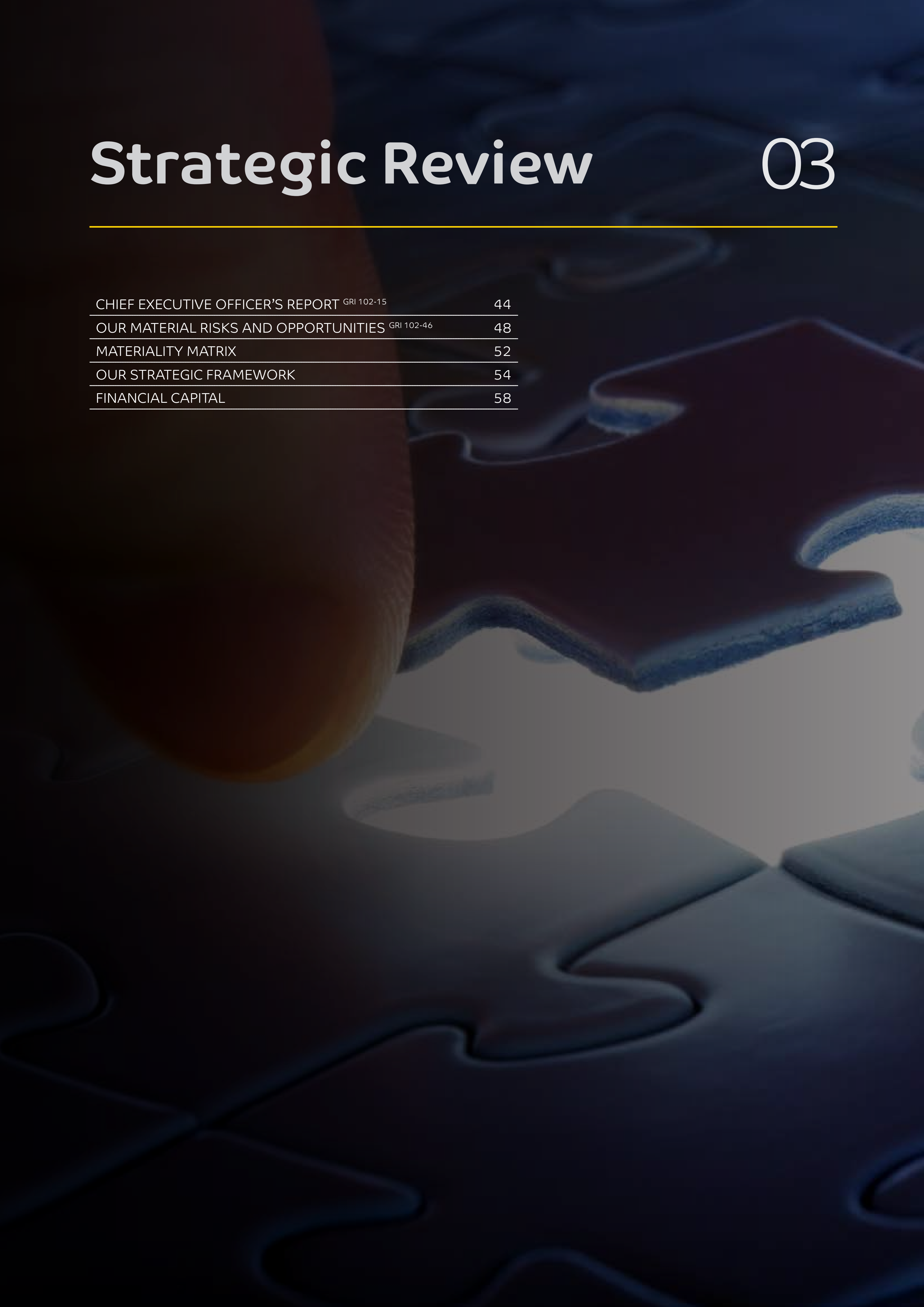
RESOURCES	INPUTS	
BUSINESS PARTNER CAPITAL The relationship we have built with business partners that allows us to expand our reach and obtain the best possible solutions for our needs.	• Partnering with the best • Relationship-building initiatives • Mutually beneficial agreements	
INSTITUTIONAL CAPITAL The intangibles that sustain the quality of our product and service offering, which provides the Bank's competitive advantage, such as our governance policies, values and ethics, business processes, and cutting-edge technology.	• An agile corporate culture and project management • IT systems and enterprise architecture • Balance sheet management • Market and data analytics • Innovation and Customer Experience Center	
SOCIAL AND ENVIROMENTAL CAPITAL The relationships and collaborations we maintain with our community, and the renewable and non-renewable resources that underpin our long-term sustainability.	• Sustainable ESG practices • Spend on social initiatives: SAR 3.1 million (2020: SAR 10.6 million) • Lending to environmentally friendly projects: SAR 934 million (2020: 990 million) • Electricity: 25,419 MWh (2020: 29,807 MWh) • Petrol/Diesel consumption: 72,192 Litres (2020: 79,193 Litres)	

<table>
<tr><th>OUTPUTS</th><th>OUTCOMES</th></tr>
<tr><td>• Cross-sell growth with subsidiaries
• Partner revenues through Bank channels:
• Revenue derived from partnerships:</td><td>Value delivered and derived

Mutually beneficial partnerships for greater customer satisfaction.</td></tr>
<tr><td>• Cybersecurity certification: ISO270001
• Cybersecurity investment
• Data security breaches: 0
• New product offerings:
  • Cashback credit card
  • E-saving product
  • Personal finance Management service
• New digital channels:
  • Credit card online services
  • Soft-token authentication method
  • Rafah Portal
• International credit ratings (long-term):
  • Moody's: A3
  • S&P: BBB
  • Fitch: BBB+</td><td>Value delivered
• Market-leading products and services
• Increased accessibility through traditional and non-traditional channels
• Privacy and data protection

Value derived
• A trustworthy brand that resonates with consumers
• Market leadership through distinctive capabilities that competitors cannot replicate easily
• Smoother systems that facilitate better customer service and reduce manual intervention
• Increased reach through traditional and non-traditional channels</td></tr>
<tr><td>• Scope 1 emissions: 173 (2020: 254)
• Responsible management of waste and emissions
• Lending to environmentally friendly projects: 1.59%
• Reductions in electricity usage: 250 MWh</td><td>Value delivered
• Enabling the Kingdom's Vision 2030

Value derived
• A stronger brand
• Maintaining our social license to operate</td></tr>
</table>



Strategic Review

03

CHIEF EXECUTIVE OFFICER'S REPORT GRI 102-15

Faisal Abdullah Al-Omran
Chief Executive Officer

Despite the continued challenges posed by the COVID-19 pandemic, our 2021 financial year was characterized by a solid performance and continuing strong growth. As the report goes into more detail on our financial results later in this report, the Bank's 2021 positive outcomes include robust financial growth and the achievement of strengthened capital adequacy and liquidity positions.

There are numerous reasons for the resilience demonstrated by our Bank, but I believe that The Saudi Investment Bank's successful year was built primarily on three fundamental cornerstones. These are our three-year strategic path focus, the Bank's agility and innovation-led approach that continues to attract extremely talented people, and our values-driven culture. Being innovative, agile and fast has enabled us to get superior products and services to market quicker than our competitors – which is a competitive advantage we're working hard to protect and grow.

OUR STRATEGY

Forging ahead with our three-year strategy

When we first embarked on our three-year strategy at the start of 2020, we could never have anticipated the consequent challenges that we would face as a result of COVID-19. While the pandemic never pushed the Bank's strategy off course, it did hamper our progress slightly in that first year. Despite this, we remained focused on our objectives, and in 2021 we invested significant time and resources into reigniting the projects that were hampered by COVID-19. In some cases, we reimagined these in line with the massive global shift towards greater digitization. I am pleased to report that, thanks to the innovation and hard work of our team , we have made up most of the time lost in 2020 as a result of the pandemic. Our strategy is firmly back on track to deliver all the desired outcomes - and more - in its final year.

The most important of these outcomes is to achieve a clear advantage for The Saudi Investment Bank in an increasingly competitive market. Rather than getting involved in price competition, we consider the most appropriate response is the Bank's ability to differentiate its positioning from other financial services institutions. The Saudi Investment Bank has developed an outstanding reputation in our chosen markets and segments, and its strategy includes working to extend this advantage by launching innovative solutions that address historically unmet customer needs or create entirely new consumer demands.

Becoming even more digital, agile and innovative

Given the rapid digitization of industries, markets and consumer bases over the past year, The Saudi Investment Bank is fortunate to have long been at the forefront of digital banking in the Kingdom. Agility, innovation and impact are our drivers and The Saudi Investment Bank was already well known for its technology leadership and sector-leading IT infrastructure and architecture. This solid foundation has allowed us to focus on sharpening our digital capabilities to enhance the Bank's agility. We are now even better positioned as a first mover, with the proven capability to accurately react to market changes and meet dynamic customer demands before our competitors.

In 2021, our Personal Banking Group expanded our product portfolio with several innovative, digital offerings, while our Corporate Banking Group and Treasury continues delivering tailor-made services to our corporate and government customers. We are particularly proud of the speed with which we deliver our products and services.

A values-driven, people-centric culture

Core to our three-year strategy is ensuring that The Saudi Investment Bank has the most appealing corporate culture and employee proposition in our industry sector. Our values are imbedded throughout the Bank, so that employees are driven to act like owners of the business, and where management follow an open-door policy. Our workforce is therefore naturally collaborative, transparent, and detail-oriented.

Altogether, employees are heard, empowered to contribute, rewarded for their results, and equipped to progress on their desired career paths.

MATERIAL RISKS AND OPPORTUNITIES

Our biggest ongoing challenge is interpreting how consumers and economies are transitioning through the pandemic - yet a major crisis always brings both risks and opportunities.

The Bank's primary risks at present are economic stability, compliance with new regulations and increasing customer expectations, while bolstering our defenses against the growing global cybersecurity threat. These risks bring with them a host of opportunities. The Kingdom's Vision 2030 strongly encourages diversification away from oil revenues, which has encouraged the Bank to focus more keenly on other sectors too. The worldwide pivot to remote working and transacting has compelled us to redouble our drive to digitization and automation, with the positive outcomes already reflected in our results. I have no doubt that the next iteration of the Bank's strategic planning will take into account the risks – and many opportunities – coming into view as COVID-19 hopefully enters into its final stages as a worldwide risk..

LOOKING FORWARD

The rapid evolution of the world's banking systems over the past year will doubtlessly continue apace into the future. The Saudi Investment Bank's competitive differentiation that has stood us in such good stead this past financial year, will continue enabling the Bank to swiftly recognize and capitalize on those opportunities. We have a strong innovation pipeline that will help maintain our momentum for leading innovation.

THANKS

I would like to thank all our stakeholders for their continued support during another exceptionally challenging year in the global economy. I am especially grateful to all our valued employees for their strong work ethic and obvious dedication to our Bank and its success. My sincere appreciation goes to the Board of Directors for the invaluable support and guidance they continue to provide.

We commend and thank the Saudi Central Bank (SAMA) for leading and guiding the financial sector so astutely through the challenges during Covid. The groundwork laid over the past two years by the Government's leadership serve as a strong foundation for the Kingdom's trajectory towards achieving Vision 2030.

OUR MATERIAL RISKS AND OPPORTUNITIES GRI 102-46

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

MANAGEMENT APPROACH

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

Identify

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

Evaluate

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

Prioritze

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

Apply

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

The strategic plan is responsive to material topics, but also determines how topics are treated. The degree of materiality guides resource allocation, and responsibility for each topic is assigned to functional unit heads as applicable. Policies are in place to guide employees in conducting their duties.

OUR MOST MATERIAL RISKS AND OPPORTUNITIES IN 2021 GRI 102-15, 102-47

THE EVOLVING MACROECONOMIC ENVIRONMENT

Risks	Opportunities
1 Economic slowdown and instability 2 Increasing governance and accountability requirements	1 Vision 2030 drive to support SMEs 2 Higher spending power in local population 3 Vision 2030 focus on diversification, with an expected increase in non-oil revenue

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

The Kingdom of Saudi Arabia has been experiencing economic turbulence brought on by lower oil-prices and compounded by the global COVID-19 pandemic. Economic slowdown impacts the banking sector through decreased consumer spending, lower interest rates, and amplified competition on price. In order to insulate the economy against oil price related shocks, the Kingdom places a strong emphasis on diversification as part of Vision 2030. This is expected to bolster non-oil revenues, providing stability to the economy and benefits for the banking sector. At present, as oil prices rise, economic prospects are also looking up for the Kingdom. This will boost consumer spending power.

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

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

CHANGING CUSTOMER EXPECTATIONS

Risks	Opportunities
3 Rising customer expectations	4 Maintaining customer satisfaction 5 Adherence to Islamic banking principles

As the market becomes more competitive with the entrance of fintechs and digital banks, customers become more discerning, requiring better service with a greater product range and more features. However, banks that can compete on unique product range, service quality and digital accessibility, rather than on price, are set to gain market share when the economy grows.

Adhering to Islamic banking principles not only aligns the Bank to the national agenda but provides access to a specialized market.

EMPLOYEE SATISFACTION AND ENGAGEMENT

Risks	Opportunities
4 Insufficient employee satisfaction and engagement 5 COVID-19 infection	6 Employee satisfaction and engagement 7 Employee training 8 Equal opportunity and anti-discrimination 9 Remote working

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

Employee training contributes to employee satisfaction. A highly skilled workforce also contributes directly to the growth of the Bank, with soft skills playing a particularly important part in gaining and retaining customers.

Equal opportunities, regardless of race, gender or religion, also boosts employee loyalty. Employees who feel safe to voice their ideas and opinions add to the organization's agility and innovation.

COVID-19 disrupted operations the world over. The Saudi Investment Bank's first priority was always to keep our workforce safe, and we adjusted our working model and processes accordingly.

As with many other organizations, we allowed our employees to work from home where possible. The operational and expense efficiencies gained are significant. However, the remote office comes at a cost – interpersonal engagement diminishes, team cohesion slides and corporate culture weakens. The Saudi Investment Bank's hybrid working model aims to balance productivity, engagement, and employee satisfaction, while keeping our workforce safe from the pandemic.

DIGITALIZATION AND AUTOMATION

Risks	Opportunities
6 Cybersecurity threats 7 New market entrants, especially fintechs and digital banks	10 Digital banking services 11 Innovation and product development 12 Cloud computing 13 Automation 14 Blockchain

The banking sector is characterized by digitalization.

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

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

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

SOCIAL RESPONSIBILITY

Risks	Opportunities
8 Loss of social license to operate	15 Community investment and engagement 16 Environmentally friendly corporate practices 17 Increasing demand for green banking and green lending

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

MATERIALITY
MATRIX

OPPORTUNITIES TO BE SEIZED

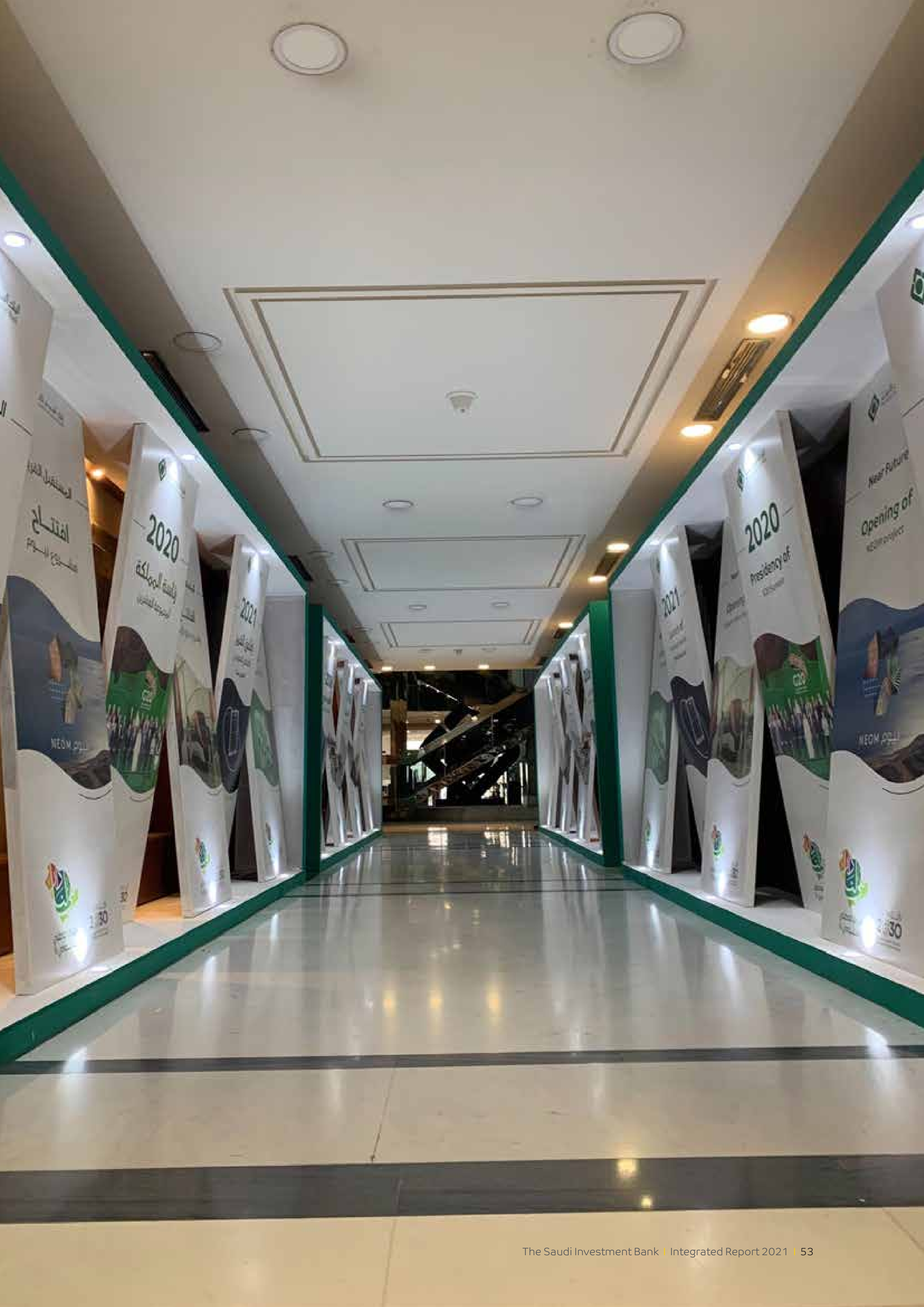
Importance to Stakeholder / Importance to The Saudi Investment Bank	Moderate	High	Very High
Very High		O2, O8, O15, O16, O17	O1, O3, O5, O6, O10
High		O9, O14	O4, O7, O11
Moderate			O12, O13

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

RISKS TO BE MITIGATED

Importance to Stakeholder / Importance to The Saudi Investment Bank	Moderate	High	Very High
Very High			R1, R2, R5
High		R4, R7	R3, R6
Moderate			

R1 Economic slowdown and instability
R2 Compliance with growing governance and accountability requirements
R3 Increasing customer expectations
R4 COVID-19 precautions
R5 Human and labor rights
R6 Cybersecurity threats
R7 Loss of social license to operate


2020
افتتاح
2021
2020
Presidency of
Near Future
Opening of
NEOM project

OUR STRATEGIC FRAMEWORK

2021 marked the second year of the Bank's 3-year strategy. This strategy centers on agility – we bring new products to market faster by enabling collaboration between employees and our partners to drive efficiency and productivity. Over its 3 years our strategy is aimed at driving long-term Shareholder returns and profitability while enabling the Bank to outperform competitors.

KEY ELEMENTS OF THE THREE-YEAR STRATEGY

Agility

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

Digitization

Digitization enhances the Bank's capabilities, streamlining our internal and customer-facing processes, while advanced data analytics supports our decision-making. In 2021, we implemented new customer e-onboarding functionality and the automation of repetitive tasks.

Innovation

SAIB promotes an innovative culture through the Innovation and Customer Experience Center, the first of its kind in the sector, which monitors customer needs, promotes internal idea-generation and launches innovative products. The Bank established the Innovation and Customer Experience Center which is the incubator of innovative ideas and product development. The center has adopted state-of-the-art tools and techniques and is one of its kind in the market, engaging customers as part of the development cycle and ensures the voice of customer's feedback is always considered to enrich the customer experience.

Focus

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

Speed

The Bank automates processes to drive efficiency gains and enhance the customer experience by reducing the turnaround times for facility issuances, on-boarding, maintenance, and transactions.

KEY ENABLERS TO SUPPORT THE STRATEGY

We identified **5 key enablers** that supports our strategic objectives:

5 KEY ENABLERS

VISION 2030

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

For more detail around how we align to Vision 2030, see page 28.

Strengthen the Bank's affiliates

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

Transform human capital

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

Grow innovation capabilities

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

Build an efficient organization

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

Strengthen IT capabilities

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

Performance Review 04

FINANCIAL
CAPITAL

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

2021 highlights

Net profit increased by **8.4%**	Total operating income decreased by **2.8%**	Total operating expenses decreased by **6.5%**

2022 focus areas

Agility	**Innovation**	**Impact**

Financial stability and long-term profitability ensure that The Saudi Investment Bank can create value, now and in the future. GRI 103-01, 103-02 Moreover, financial health enables The Saudi Investment Bank to share created value with its various Stakeholders: to be a reliable employer, an attractive long-term investment opportunity, a responsible taxpayer, and a good corporate citizen that helps communities to flourish. Ultimately, economic value creation simultaneously helps improve the economic, environmental, and social conditions for the Bank and its Stakeholders.

Overall responsibility for financial performance at Group level remains with the Group CFO, CEO, and the Board of Directors under a Chairman. The Saudi Investment Bank evaluates its management approach through a process steered by the Board of Directors. The Bank audits and publishes its results in quarterly and annual reports. GRI 103-3

FINANCIAL PERFORMANCE

	2021 SAR million	2020 SAR million
Total income*	2,823	2,892
Total expenses **	1,284	1,214
Operating profit before provisions	1,539	1,678
Provisions for credit and other losses	271	449
Provisions for Zakat and Income Tax ***	206	249
Net income	1,062	980
Loans and advances, net	57,803	55,074
Investments	28,842	30,514
Investments in associates	884	846
Total assets	101,588	99,885
Term loans	-	2,006
Subordinated debt	-	-
Customer deposits	61,515	60,144
Shareholders' equity	14,801	13,331
Tier 1 Sukuk	1,500	2,000
Total equity	16,301	15,331
Return on average Shareholders' equity (%)	7.55	7.73
Return on average assets (%)	1.05	0.98
Capital adequacy (%)	20.84	21.21
Equity to total assets (%)	16.05	15.35

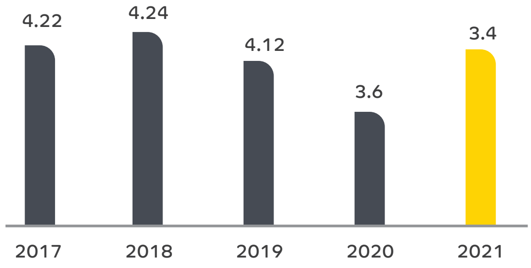
* Total income includes total operating income plus share in earnings of associates.
** Total expense includes total operating expenses before impairment charges.

FINANCIAL POSITION

GROWTH IN TOTAL ASSETS

SAR 101.6 billion
as at December 31, 2021
(2020: SAR 99,9 billion)
1.70% ↑

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



Cash and balances with SAMA

SAR 5.9 billion
as at December 31, 2021
(2020: SAR 8.3 billion)
29% ↓

Investments

Investment portfolio:

SAR 28.8 billion
as at December 31, 2021
(2020: SAR 30.5 billion)
5.57% ↓

Investments classified as investment grade:

87.84%
of total portfolio as at December 31, 2021
(2020: 88.26%)
0.42% ↓

Loans and advances, net

Loans and advances, net:

SAR 57.8 billion
as at December 31, 2021
(2020: SAR 55.1 billion)
4.90% ↑

Total performing loans:

SAR 58.7 billion
as at December 31, 2021
(2020: SAR 55.7 billion)
5.38% ↑

Non-performing loans as a percentage of total loans and advances was 1.85% as of December 31, 2021, compared to 2.04% as of December 31, 2020

LOANS AND ADVANCES

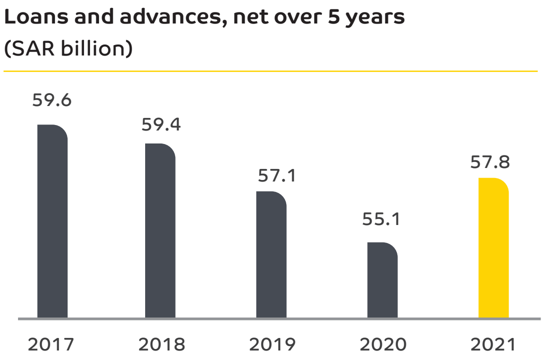
Loans and advances, including non-interest-bearing banking products

SAR 41.9 billion

as at December 31, 2021

(2020: SAR 41.2 billion)

1.6% ↑



Non-performing loans

Total non-performing loans:

SAR 1.1 billion

as at December 31, 2021

(2020: SAR 1.2 billion)

0.8% ↓

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

1.85%

as at December 31, 2021

(2020: 2.04%)

0.19% ↓

Allowance for credit losses

Total allowance for credit losses:

SAR 2.0 billion

as at December 31, 2021

(2020: SAR 1.8 billion)

1.1% ↑

3.29%

of total loans

(2020: 3.09%)

177.27%

of non-performing loans

(2020: 151.45%)

Collateral as security to mitigate credit risk on loans and advances

SAR 72.2 billion

as at December 31, 2021

(2020: SAR 50.5 billion)

43% ↑

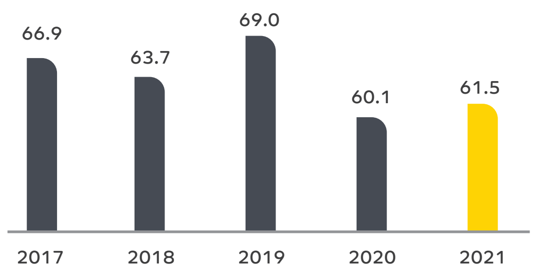
Collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets.

CUSTOMER DEPOSITS

Total customer deposits

SAR 61.5 billion
as at December 31, 2021
(2020: SAR 60.1 billion)
2.33% ↑

Customer deposits
(SAR billion)



Demand and other deposits

Total demand and other deposits:

SAR 34.2 billion
as at December 31, 2021
(2020: SAR 34.6 billion)
1.16% ↓

Demand and other deposits as percentage of total:

55.63%
as at December 31, 2021
(2020: 57.45%)
3.16% ↓

Special commission bearing deposits

SAR 27.3 billion
as at December 31, 2021
(2020: SAR 25.6 billion)
6.7% ↑

TERM LOANS

Total term loans

SAR 0
as at December 31, 2021
(2020: SAR 2 million)

TOTAL EQUITY

Total equity

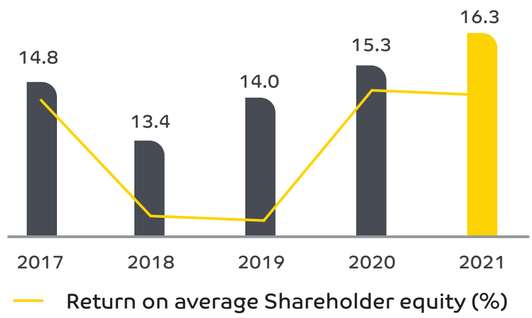
SAR 16.3 billion

as at December 31, 2021

(2020: SAR 15.3 billion)

6.5% ↑

Total equity
(SAR billion)



Total equity to total assets:

16.04%

as at December 31, 2021

(2020: 15.32%)

0.73% ↑

Shareholder equity leverage ratio:

6.86

as at December 31, 2021

(2020: 7.49)

0.63% ↓

TREASURY SHARES

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (JP Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million, exclusive of transaction costs and estimated tax. The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury shares purchased include transaction costs and estimated tax for a total cost of SAR 787.5 million.

On November 29, 2018, the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd. (Mizuho), to purchase another 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated tax. The Bank received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab, 1440H, corresponding to March 28, 2019. On May 28, 2019, the Bank completed the purchase. The Treasury shares purchased include transaction costs for a total cost of SAR 253.5 million.

The share capital of the Bank was not reduced as a result of these transactions with the cost of the shares purchased totaling SAR 1,041.1 million presented as a reduction of Shareholders' equity.

During the year ended December 31, 2021, the Bank issued all of the treasury shares by the way of right shares and rump offering. The total proceeds from the sale of treasury shares amounted to SAR 1.03 billion, net of transaction costs.

TIER I SUKUK PROGRAM

The Bank completed the establishment of a Shariah-compliant Tier I Sukuk Program (the Program) in 2016. The Program was approved by the Bank's regulatory authorities and Shareholders. The following tranches of Tier I Sukuk issued under the program on the dates indicated below are outstanding as of December 31, 2021 and 2020:

	2021 SAR '000s	2020 SAR '000s
November 16, 2016	-	500,000
June 6, 2017	285,000	285,000
March 21, 2018	1,000,000	1,000,000
April 15, 2019	215,000	215,000
Total	1,500,000	2,000,000

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity.

However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

CAPITAL ADEQUACY

Tier I and II capital adequacy ratio

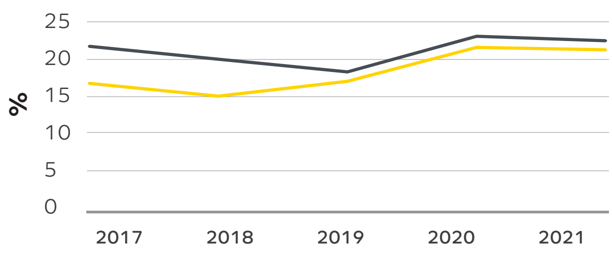
20.84%

as at December 31, 2021

(2020: 21.21%)

SAMA requirement: >10.5%

Capital Adequacy Ratios



The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern, and to maintain a strong capital base.

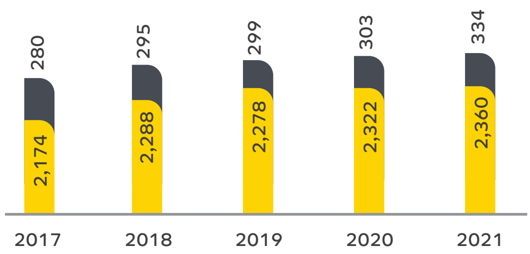
Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's Management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position assets, commitments, and notional amounts of derivatives, at a weighted amount to reflect their relative risk.

Total operating income

SAR 2,768 million
as at December 31, 2021
(2020: SAR 2,846 million)
2.74% ↓

Operating income
(SAR million)



Net special commission income:

SAR 2,360 million
as at December 31, 2021
(2020: SAR 2,322 million)
1.64% ↑

Banking service fees net:

SAR 334 million
as at December 31, 2021
(2020: SAR 303 million)
10.23% ↑

Exchange income, net:

SAR 162 million
as at December 31, 2021
(2020: SAR 117 million)
8.47% ↑

Proposed cash dividend[1]:

SAR 525 million
equal to
SAR 0.70 per share

Unrealized fair value:

SAR 183 net loss
as at December 31, 2021
(2020: SAR 82 million loss)
123% ↑

Other investment related gains:

SAR 81.0 million
as at December 31, 2021
(2020: SAR 108 million)
25% ↓

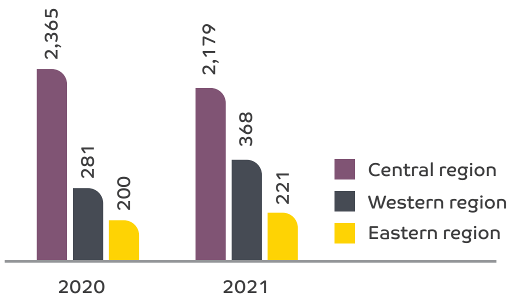
Income recognized through profit and loss and sales of debt securities.

All other operating income:

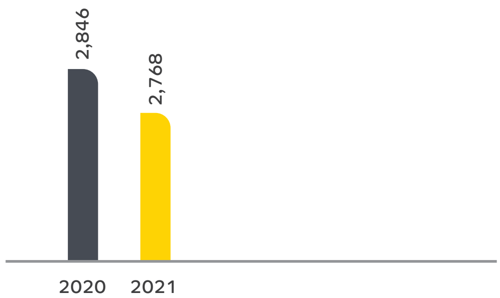
SAR 15 million
as at December 31, 2021
(2020: SAR 18 million)
16% ↓

[1]The Board proposed a cash dividend for the year 2021 of SAR 525 million equal to SAR 0.70 per share, as well as a bonus share issue of 250 million shares with a par value of SAR 10 per share, or one Bonus share for each three shares outstanding. The Bonus shares were proposed to be issued from the Statutory Reserve. The proposed cash dividend and Bonus share issue were approved in an Extraordinary General Assembly Meeting held on February 01, 2022.

Geographical distribution of operating income
(SAR million)



Total operating income
(SAR million)



Operating expenses before provisions for credit and other losses

Total operating expenses before provisions for credit and other losses

SAR 1,284 million
as at December 31, 2021
(2020: SAR 1,214 million)
5.77% ↑

Salaries and employee related expenses:

SAR 687 million
as at December 31, 2021
(2020: SAR 672 million)
2.2% ↑

Rent and premises:

SAR 138 million
as at December 31, 2021
(2020: SAR 128 million)
8% ↑

Depreciation and amortization:

SAR 151 million
as at December 31, 2021
(2020: SAR 145 million)
4% ↑

Other general and administrative expenses:

SAR 308 million
as at December 31, 2021
(2020: SAR 269 million)
14.5% ↑

PROVISIONS FOR CREDIT AND OTHER LOSSES

The provisions for credit and other losses incurred in 2021 compared to 2020 are summarized as follows:

	2021 SAR'000s	2020 SAR'000s
Provisions for credit losses:		
Due from banks and other financial institutions	5,430	1,114
Investments	(5,200)	1,726
Loans and advances	254,432	453,527
Financial guarantee contracts	(6,423)	(6,843)
Other assets	(181)	(111)
Provisions for credit losses	248,058	449,413
Provisions for real estate and other losses	23,008	-
Provisions for credit and other losses	271,066	449,413

COVID-19 overlays

The prevailing economic conditions require the Group to continue revising certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of ECL or revisions to the scenario probabilities currently being used by the Group. As the situation continues to be fluid, Management understands that certain effects cannot be fully incorporated into the ECL model calculations at this time. Accordingly, Management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Group has therefore recognized overlays of SAR 225.3 million as of December 31, 2021 (2020: SAR 198.6 million). The Group will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

The Bank's ECL model continues to be sensitive to the above assumptions and is continually reassessed as part of its business-as-usual model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgment and uncertainty - therefore, the actual outcomes may be different to those projected.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this time, Management continues to exercise expert credit judgment to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. Accordingly, Management's ECL assessment includes a sector-based assessment and staging analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognized post-model overlays of SAR 112 million, SAR 102 million and SAR 11 million as of December 31, 2021 for its corporate, MSME and retail loans and advances portfolio respectively. The Bank will continue to reassess the need for additional overlays as more reliable data becomes available and accordingly determine if any adjustment to the ECL allowance is required in subsequent reporting periods.

SHARE IN EARNINGS OF ASSOCIATES

Share earnings of associates:

SAR 55 million

as at December 31, 2021

(2020: SAR 46 million)

19.5% ↑

PROVISIONS FOR ZAKAT AND INCOME TAX

Provisions for Zakat and Income Tax:

SAR 206 million

as at December 31, 2021

(2020: SAR 249 million)

17.3% ↓

	2021 SAR'000s	2020 SAR'000s
Provisions for Zakat		
Provisions – current and prior period	239,393	246,201
Reversal of Zakat – prior period	(33,782)	-
For subsidiaries – prior periods	-	2,745
Provisions for Zakat, net	205,611	248,946

NET INCOME

Net income:

SAR 1,062 million

as at December 31, 2021

(2020: SAR 980 million)

8.37% ↑

Return on average assets:

1.05%

as at December 31, 2021

(2020: 0.98%)

0.07% ↑

Return on average Shareholders' equity:

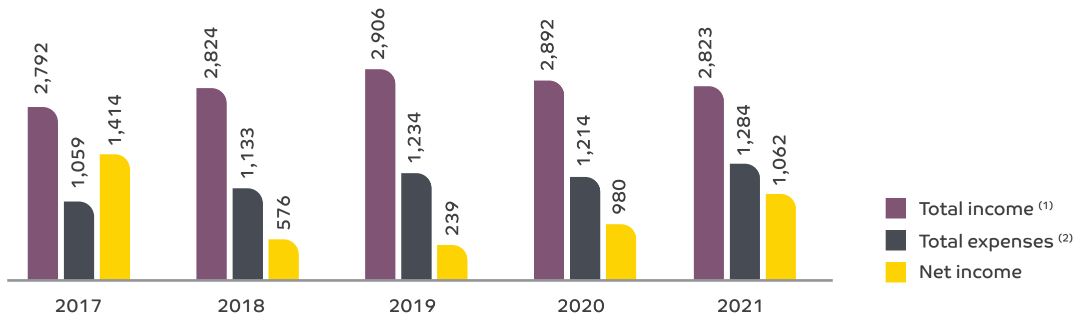
7.55%

as at December 31, 2021

(2020: 7.73%)

0.18% ↓

Customer deposits
(SAR billion)



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

Net income by operating segment

	2021 SAR'000s	2020 SAR'000s
Retail Banking	80,782	313,227
Corporate Banking	448,235	462,389
Treasury and Investments	752,288	651,011
Asset Management and Brokerage	111,487	80,571
Others*	(125,525)	(278,691)
Income before provisions for Zakat and Income Tax	**1,267,267**	**1,228,507**
Provisions for Zakat and Income Tax	(205,611)	(248,946)
Net income	**1,061,656**	**979,561**

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

PROFIT DISTRIBUTION

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 266 million was transferred from 2021 net income. The statutory reserve is not currently available for distribution.

The Board of Directors proposed a cash dividend for the year 2021 of SAR 525 million equal to SAR 0.70 per share. The Board of Directors also proposed a bonus share issue of 250 million shares with a par value of SAR 10 per share, or one bonus share for each 3 shares outstanding. The bonus shares were proposed to be issued from the Statutory Reserve. The proposed cash dividend and bonus share issue were approved in an Extraordinary General Assembly meeting held on February 01, 2022.

5-YEAR FINANCIAL HIGHLIGHTS

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

SAR in millions	2021	2020	2019	2018	2017
Operations					
Total income (1)	2,823	2,892	2,906	2,824	2,792
Total expense (2)	1,284	1,214	1,234	1,133	1,059
Operating profit before provisions	1,539	1,678	1,672	1,691	1,733
Provisions for credit and other losses	271	449	1,343	247	322
Provisions for Zakat and Income Tax (3)	206	249	90	868	-
Net income	1,062	980	239	576	1,411
Financial position					
Total assets	101,588	99,885	100,815	96,070	93,796
Loans and advances, net	57,803	55,074	57,112	59,413	59,588
Investments	28,842	30,514	26,175	24,638	21,714
Investments in associates	884	846	994	1,012	1,020
Term loans	-	2,006	2,012	2,030	2,015
Subordinated debt	-	-	-	2,006	2,003
Customer deposits	61,515	60,144	69,058	63,690	66,943
Shareholders' equity	14,801	13,331	12,007	11,621	13,494
Tier I Sukuk	1,500	2,000	2,000	1,785	785
Total equity	16,301	15,331	14,007	13,406	14,279
Key ratios					
Return on average Shareholders' equity (%)	7.55	7.73	2.03	4.73	10.72
Return on average assets (%)	1.05	0.98	0.24	0.61	1.51
Capital adequacy (%)	20.84	21.21	18.26	19.31	20.38
Equity to total assets (%)	16.05	15.35	13.89	13.95	15.22

(1) Total income includes total operating income plus share in earnings of associates.

(2) Total expense includes total operating expenses before impairment charges.

(3) The years prior to 2018 have not been adjusted for provisions for Zakat and Income Tax.

REGULATORY PAYMENTS

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

A summary of the payments made during 2021 is given below, which also includes regulatory fines incurred during the year.

Zakat settlement

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

The Bank has paid SAR 155 million, SAR 124 million, SAR 124 million and SAR 124 million on January 1, 2019, December 1, 2019, December 1, 2020 and December 1, 2021 respectively, as per the settlement agreement.

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

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

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

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

On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi Shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Bank has provided for Zakat for the years ended December 31, 2021 and 2020 on the basis of the Bank's understanding of these rules.

Withholding tax:

SAR 13.9 million

For the year ended December 31, 2021

(2020: SAR 53.7 million)

74% ↓

Value Added Tax (VAT):

SAR 119.4 million

For the year ended December 31, 2021

(2020: SAR 48.2 million)

148% ↑

Other regulatory payments

The Bank paid SAR 52.7 million to the General Organization for Social Insurance for its employees, including the employee share of SAR 23.8 million during the year ended December 31, 2021. The Bank also paid SAR 1.2 million for visa and other related governmental fees during the year ended December 31, 2021.

Regulatory penalties and fines

During 2021, the Bank paid SAR 975,000 to SAMA as a result of 5 regulatory fines and penalties. Below is a breakdown of regulatory fines borne by the Bank during 2021 and 2020.

Description of the fine	2020 # of SAMA decisions	2020 Amount in SAR	2021 # of SAMA decisions	2021 Amount in SAR
Violating SAMA's Supervisory Instructions	3	240,000	3	20,000
Violating SAMA's Instructions for Customer Due Diligence	-	-	2	955,000
Violating SAMA's Instructions for Consumer Protection	1	1,680,000	-	-

CASHFLOWS

Cash and cash equivalents

SAR 8,007 million

as at December 31, 2021

(2020: SAR 7,267 million)

10.2% ↑

Net cashflows	2021 SAR'000s	2020 SAR'000s
Provided from operating activities	1,434	1,557
Used in investing activities	1,168	(3,786)
Used in financing activities	(1,861)	(118)
Net increase (decrease) in cash and cash equivalents	741	(2,346)

DIVISIONAL PERFORMANCE

RETAIL BANKING

Overview

The Saudi Investment Bank's Retail Banking division, referred to as the Personal Banking Group, offers conventional and Shariah-compliant retail services for individuals. These include current accounts, savings, and time deposit accounts.

The Bank strives to be a long-term financial partner to our customers. We understand their needs and deliver a superior banking service that is both simple and accessible, ensuring their financial prosperity in both the immediate and long-term.

2021 strategic focus areas

During the year, we focused on bolstering all our income sources, from financing to DDAs and deposits, by enhancing our current products and services to enable enhanced digital access for our customers to convenient and speedy services. Our digital platforms continued growing our customer base.

We also expanded our product range by launching additional electronic savings accounts and current accounts alongside our award-winning Cashback Card. The Bank also offered:

- The new Rafah Portal that allows the Bank to provide custom products and services for large corporates (custom loans and credit card products, in addition to other special benefits).
- A Personal Finance Management tool that converts customer behavior data into a complete, tailored array of products and services.

- Our Amer program that offers a mortgage property solution with our partners to enable customers to buy their dream homes.

2021 performance overview

Highlights

- Won awards with our consumer cards:
  - Best Travel Card Saudi Arabia 2021 - International Business Magazine
  - Best Cashback Card Middle East 2021 - International Business Magazine
  - Best Consumer Credit Card Offering - Platinum Cashback Card - World Economic Magazine
  - Best Travel Card Globally 2021 – World Business Outlook
- Launched the first digital application process for mortgage finance in the Kingdom.
- Enhanced the personal finance digital experience for a faster application process, with new digital application processes for both our home finance and credit card products.

e-Channel penetration (%)

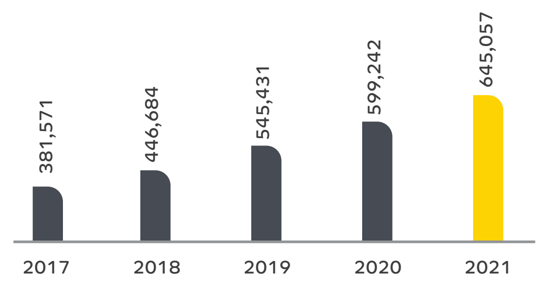
Channel	2021	2020	2019	2018	2017
SMS alerts	53.75	58.88	64.72	99.00	98.00
“Flexx Call” phone banking services	57.57	57.24	55.86	56.00	51.00
“Flexx Click” internet banking services	84.72	81.08	79.49	68.00	61.02

Customer base

645,057
Personal banking customers
(2020: 599,242)

45,815
New Personal
banking customers

Customer base growth



Looking ahead

In 2022, our Personal Banking Group will continue enhancing the customer experience by:

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

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

CORPORATE BANKING

Overview

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

Offerings span both conventional and Shariah-compliant products and services. They include facilities related to working capital, contract, project, real estate, and capital expenditure financing, while supporting businesses with trade finance, cash management, and treasury services requirements. The Group continually strives to increase the range and quality of the Bank's product and service offerings to meet customers' evolving needs and expectations.

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

The Group has also undertaken strategic initiatives to align the business model to support the Saudi Government's Vision 2030 goals as it looks to continuing business growth and maximizing opportunities in the post-pandemic era.

2021 strategic focus areas

We positioned the Corporate Banking Group as a strong competitor during the pandemic by:

- Digitalizing and re-engineering our processes, products and services to enhance customer satisfaction and mitigate risk.
- Supporting Vision 2030 for the long-term sustainability of our Bank and the Kingdom by:
  - Supporting local companies and SMEs.
  - Employing and promoting Saudi nationals, especially women.
  - Contributing to the private sector's growth
  - Promoting and enhancing a culture of innovation.
  - Promoting positivity, flexibility and discipline.

We are working diligently to understand our customers better, to recognize and be responsive to their needs while informing them of the Bank's risk appetite and the elements that inform our credit decisions. This culture guarantees a sustainable foundation for long-term growth based on mutual understanding.

2021 performance overview

The year was characterized by the ongoing effects of the COVID-19 pandemic, which presented 3 main challenges:

- Maintaining a healthy balance between effective yield or return, and associated risk.
- Anticipating and managing the pandemic's impact on our customers.
- Implementing business continuity planning processes.

While these factors initially hampered our processes as we diverted resources to monitoring and responding to our operating environment, we rapidly refocused and rebuilt our operational capacity, supported by SAMA and the Government. Despite the effects of COVID-19, the Corporate Banking Group performed satisfactorily during 2021.

Key metrics	2021	2020	2019
Net income (SAR'000s)	448,235	462,389	601,148

Micro, Small, and Medium Enterprises (MSME) performance 2021

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

	2021 SAR'000s			
	Micro	**Small**	**Medium**	**Total**
Loans to MSMEs-on Balance Sheet (B/S)	244,294	927,326	4,512,837	**5,684,457**
Loans to MSMEs-off Balance Sheet (notional amount)	80,124	282,277	1,307,613	**1,670,014**
On B/S MSMEs loans as a percentage of total on B/S loans	0.42%	1.58%	7.68%	**9.68%**
Off B/S MSMEs position as a percentage of total off B/S position	0.64%	2.26%	10.50%	**13.40%**
Number of loans (on and off B/S)	505	410	805	**1,720**
Number of customers for loans (with Credit Facility Limits)	17	86	219	**322**
Number of loans guaranteed by Kafalah program (on and off B/S)	5	53	63	**121**
Amount of loans guaranteed by Kafalah program (on and off B/S)	8,843	86,008	233,658	**328,509**

Looking ahead

In 2022, the Corporate Banking Group aims to:

- Expand our base of credible and robust customers, in line with our overall risk appetite.
- Automate products and services to reduce response times and enhance customer satisfaction.
- Cross-sell our products range for greater yield from existing relationships.

While the COVID-19 pandemic will continue to impact our external environment, we are confident in our abilities to navigate and overcome the challenges ahead.

TREASURY AND INVESTMENTS

Overview

The Treasury and Investment Group is responsible for the Bank's asset-liability management, including interest rate risk, market risk, and funding and liquidity management. The Group also handles foreign exchange trading, structured products, and manages the Bank's investment portfolio and derivative products. The Treasury and Investment Group also takes responsibility for the Bank's Stakeholder relationship management with business partner companies, financial institutions, public institutions, and the asset liability management unit.

Strategic focus areas 2021

The Group continues to focus on its the strategic initiatives identified in the prior year, which include:

- LIBOR and SAIBOR transition project, with the majority of tasks completed by the end of 2021.
- Cost reduction through an e-document based desk that significantly reduced the use of paper.
- The automation of many internal procedures, which decreased the likelihood of operational risk.

Enhancing and fine tuning those initiatives is an ongoing process.

2021 performance overview

The Treasury and Investment Group contributed significantly to the Bank's financial performance during 2021.

Summary

	2021 SAR'000s
Total assets	40,964,961
Total liabilities	52,868,018
Net special commission income (loss)	406,499
FTP net transfers	550,054
Net FTP contribution	956,553
Fee income (loss) from banking services, net	20,555
Other operating income (loss)	51,554
Total operating income (loss)	1,028,662
Direct operating expenses	52,238
Indirect operating expenses	278,714
Provisions for credit and other losses	230
Total operating expenses	331,182
Operating income (loss)	697,480
Share in earnings of associates	54,808
Income (loss) before provisions for Zakat	**752,288**
Consolidated statement of financial position assets	39,600,660
Commitments and contingencies	38,716
Derivatives	779,499
Totals	**40,418,875**

In response to Repo movement activities, our Investment Department cooperated with the Money Market to improve its LCR and LDR ratios. The Investment Department also took advantage of the lower funding rate by establishing SPVs with counterparties and diversifying the Repo portfolio.

In 2021 we added the Bank of Montreal and Bank of America as Repo counterparties.

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

243.42%
Quarterly average LCR

299.83%
Spot LCR

126.08%
NSFR

We were also pleased to achieve:

75.33%
Loan-to-Deposit ratio (LTD)

37.00%
Average liquidity ratio

29.35%
Top 20 Depositors concentration
(Maximum limit: 45%)

Foreign exchange and structured solutions

276 Client calls concluded across all regions	**199** Calls in the Central region	**37** Calls in the Eastern region
42 Calls in the Western region	**SAR 12.5 million** Hedging solution fees (Budget: SAR 50 million)	

Financial institutions

SAR 1,699 LC profitability	**SAR 2,988** LG profitability	**SAR 1,428** Discounting profitability (Market Rate Loans – Invoice Discounting)

As trade finance activities started recovering from COVID-19, the Treasury and Investment Group sought to increase collaboration with our counterparties, resulting in higher LC and LG profitability. At the same time, discounting requests diminished as corporate cashflows began normalizing.

Following our successful engagement with JP Morgan, which increased our profitability from SAR 90,000 to over SAR 360,000, we initiated talks with various parties to sign the Master Risk Participation Agreements (MRPA). In addition, we completed SPV agreements with the Bank of Montreal and Merril Lynch International.

We are particularly pleased with our agent banking agreement with Virgin Mobile and are renegotiating agreements with multiple correspondents to gain lower charges for customer transfers. The Investment Department is also working to improve our relationship with our Nostro holders, thereby reducing the cost to our customers, while our work behind the scenes will ensure faster processing when opening Nostro and Vostro accounts.

Due to geopolitical risks, we reduced our exposures in Lebanon to active transactions only, which are secured with cash collateral. We are shifting the TRY Nostro business out of Turkey and successfully closed all Vostro accounts for Iraqi and Lebanese banks.

The Investment Department also renegotiated the trade insurance agreement with Saudi Export-Import Bank.

Looking ahead

The COVID-19 pandemic is likely to recede in importance next year. The impact of newly discovered COVID-19 variants remains unpredictable, but we are optimistic that possible lockdowns in future will be less economically harmful.

The Treasury and Investment Group's main goal for 2022 is to continue minimizing the cost of funds, while maximizing return on its investments.

INSTITUTIONAL CAPITAL

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

2021 highlights

- Virtual desktop infrastructure (VDI) implementation
- Being the first bank in the Kingdom to adopt the CISCO SD-WAN
- Winning several awards from the World Economic Magazine, International Finance Magazine, International Business Magazine and Al Faisal University

2021 challenges

- Limitations on cloud expansion
- Cybersecurity

2022 focus areas

- Enhance IT digital delivery capabilities by introducing new IT digital factory.
- Enhance AI and data analytics capabilities
- Open banking and API management

OUR REGULATORY STAKEHOLDERS AT A GLANCE

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

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

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

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

Their needs and expectations

Government and regulatory bodies expect:

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

Related material risks:

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

Related material opportunities:

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

How we respond

Fulfilling government expectations through:

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

We engage by:

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

In 2021, The Saudi Investment Bank revised its policies and procedures in line with the updated SAMA and NCA requirements.

No significant tax issues became apparent in 2021, with Zakat assessments completed up to 2019. The 2020 Zakat assessments as well as 2018 to 2020 VAT assessments are in progress.

ZAKAT SETTLEMENT

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

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

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

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

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

In 2019, the Zakat, Tax, and Customs Authority (ZATCA) published rules for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Bank paid the following tax to ZATCA for the year ended December 31, 2021:

SAR 13.9 million
Withholding tax

SAR 119.4 million
Value Added Tax (VAT)

SAR 0.4 million
Real Estate Transactions Tax (RETT)

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

REGULATORY PENALTIES AND FINES

During 2021, the Bank paid SAR 975,000 to SAMA as a result of 5 regulatory fines and penalties. Below is a breakdown of regulatory fines borne by the Bank during 2021 and 2020.

	2020		2021	
Description of the fine	# of SAMA decisions	Amount in SAR	# of SAMA decisions	Amount in SAR
Violating SAMA's Supervisory Instructions	3	240,000	3	20,000
Violating SAMA's Instructions for Customer Due Diligence	-	-	2	955,000
Violating SAMA's Instructions for Consumer Protection	1	1,680,000	-	-

SYSTEMS AND PROCESSES

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

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

INTERNATIONAL CREDIT RATINGS

Credit ratings pave the way for the Bank to participate in international financial markets. As the global economy becomes more integrated, credit ratings help to ensure funding, open access to credit markets, and demonstrates our commitment to internationally recognized credit and risk management standards. The Bank's current ratings are as follows:

	Long-term	Short-term	Outlook
Moody's	A3	P-2	Stable
Standard and Poor's (S&P)	BBB	A-2	Stable
Fitch	BBB+	F2	Stable

These ratings are based on the Bank's financial performance, asset quality and capitalization levels, as supported by a stable strategy and adequate liquidity profile. We operate in one of the strongest banking sectors and best regulated markets in the Middle East, and the ratings further reflect the Kingdom's sovereign credit ratings from the individual ratings agencies.

DIGITAL TRANSFORMATION

TRANSFORMATION GROUP

The Saudi Investment Bank's Transformation Group analyses the function, structure, and operational model of the Bank's departments and aligns these with its strategy and goals. Numerous transformation projects aimed at department, process, and product enhancement were undertaken in 2021. These introduced the latest digitization and automation methods, in line with the Bank's strategy. Processes are optimized through the application of Agile and DevOps practices, linked with capacity planning to define the ideal manpower requirements.

IT TRANSFORMATION STRATEGY

The Saudi Investment Bank's IT department (Information Technology Group) is one of the most advanced in the Kingdom, with a clear IT strategy that leverages the latest technologies. The impact of the pandemic meant digitalizing the Bank's offerings while ensuring the security of its information systems became more critical than ever.

During 2021, the Information Technology Group (IT Group) carried out projects and initiatives aligned to the Bank's 3-year strategy and transformation programs. The IT Group focused primarily on enabling flexible infrastructure and innovative business solutions to meet growing service demands, the rising cost of capital, compliance with increasingly stringent local and international regulatory requirements, and the Board of Directors' mandate to support long-term sustainability and effective governance. The Group's 3-year strategy will see it define the digital and strategic direction for better alignment with the Bank's overarching business strategy.

As employees continued working from home, the IT Group added new collaboration tools to enhance remote working, including virtual desktop infrastructure. Upgrading the Bank's network and providing extra bandwidth ensured that employees could continue working through various business continuity centers.

In 2021, The Saudi Investment Bank became the first bank in the Kingdom to adopt the CISCO SD-WAN, a network solution which will provide greater agility, insights and security. This solution enables the Bank to manage and automate policies, while providing reliable services to its network users, devices, and business applications more efficiently and consistently.

Besides implementing new business solutions across the Group and making general enhancements to the Bank's services, other IT Group highlights during the past year included:

- Preparing for the open banking project, which will allow the Bank to launch more services that support agent banking and fintech companies.
- Enhancing the Bank's integration capabilities with e-government services and other third-party service providers.
- Launching the first agent banking use case with Virgin Mobile on our API management platform.
- Rolling out a new IT service management solution.
- Automating backend processing for interbank payments and returns.
- Completing critical SAMA mandate projects, including:
    - AML process enhancements
    - Statements updates
    - SMS updates
    - Tanfeeth
    - Card schemes
    - Natheer integration
    - The new IT governance framework
- Upgrading the Treasury voice and telephony systems in both data centers.
- Implementing a new AML management solution for better monitoring and controls over suspicious activities and scenarios.
- Revamping the CRM complaints and services module to fulfill the new business requirements.
- Completing our CCTV project, which included the installation of more than 4,000 cameras to monitor bank branches and ATMs.
- Completing the adaption of the cloud native infrastructure, which delivers cloud computing scalability and greater ease of service delivery.
- Joining the Discover Global Network.
- Completing the transition project from IBOR to the risk-free rate.
- Enhancing our monitoring capabilities for cards and payment related systems.
- Improving critical systems' performance processing time.

- Integrating with digital signature service providers to support different related use cases.
- Launching a new cashback credit card.
- Finalizing the instant payment project with Saudi Payments, and enabling new channels.
- Strengthening IT capabilities in digital experience and acquisition thorough digital wallets, AI and data analytics.

During 2021, ITG continued to provide more collaboration tools in response to the COVID-19 situation to enable remote working for bank employees – we adopted virtual desktop (VDI) as a new collaboration tool to support communication both internally and externally. ITG also provided the technical support to facilitate the employee's allocation to different business continuity centers by upgrading the Bank network and providing extra bandwidth. ITG at the same time completed other major enhancements to existing systems as part of the Bank's continuous improvement initiatives.

CYBERSECURITY

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

MICROSOFT POWER BI PLATFORM

Adding Microsoft Power BI to our ecosystem of Microsoft products in 2020 has created a data-driven culture providing targeted intelligence for all The Saudi Investment Bank's business lines. It contributes to enhanced analytics capabilities at an organization-wide scale, with deeper and more meaningful insights into our customers, and improved overall operational efficiency.

FUTURE IT INITIATIVES

The IT Group's focus in 2022 is the continued execution of the 3-year strategy in terms of:

- Enabling our digital delivery capability
- Implementing the new IT governance framework
- Strengthening our data analytics and AI capabilities for data-driven banking
- Managing our Open banking and API
- Introducing new innovative solutions

SUSTAINABILITY MANAGEMENT DASHBOARD SYSTEM

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

AWARDS AND RECOGNITION

During 2021, the Bank received numerous awards, including:

- Best Digital Transformation Bank (Saudi Arabia, 2021) - International Finance Magazine
- Best Travel Card (Saudi Arabia, 2021) - International Business Magazine
- Best Cashback Card (Middle East, 2021) - International Business Magazine
- Best Cash Management Offering (Saudi Arabia, 2021) - International Business Magazine
- Best Building Management System (Bank) (Saudi Arabia, 2021) - International Business Magazine
- Best Cash Management Bank (Saudi Arabia, 2021) - World Economic Magazine
- Best Consumer Credit Card Offering - Platinum Cashback Card - World Economic Magazine
- Best Digital Banking (Saudi Arabia, 2021) - World Economic Magazine
- Most Innovative Banking Treasury Shares Sale Initiative (Global, 2021) - World Economic Magazine
- Best Treasury Management Bank (Saudi Arabia, 2021) - World Economic Magazine
- Best Share Offering 'Treasury' (Saudi Arabia, 2021) - Intentional Finance Magazine
- Corporate Governance Excellence Award – 3rd World Governance Conference hosted by the Al Faisal University
- Best Loyalty Program (Saudi Arabia, 2021) – World Business Outlook
- Most Innovative Financial Solutions Provider Personal Banking (Saudi Arabia, 2021) - World Business Outlook
- Best Travel Card Globally 2021 - World Business Outlook
- Most Innovative Financial Solutions Provider Corporate (Saudi Arabia, 2021) - World Business Outlook
- Best Building Management System (Saudi Arabia, 2021) - World Business Outlook
- Best Digital Bank (Saudi Arabia, 2021) - World Business Outlook
- Best Treasury Sales Initiative (Saudi Arabia, 2021) - World Business Outlook
- Best Secure Digital Banking (Saudi Arabia, 2021) - World Business Outlook
- Best Cash Management Bank (Saudi Arabia, 2021) - World Business Outlook

INVESTOR
CAPITAL

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

2021 highlights

Dividends per share to be distributed:
SAR 0.70

Total dividends to be distributed:
SAR 525 million

OUR INVESTORS AT A GLANCE

Our investors own a Shareholder stake in the Bank.

Their needs and expectations

Investors expect:

- Sustainable financial returns
- Attractive and sustainable growth strategy
- Strong balance sheet and profitability
- Strong risk management
- Transparent reporting and disclosure
- Sound governance
- Long-term stability

Related material risks:

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

Related material opportunities:

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

How we respond

Fulfilling investor expectations with:

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

We engage through:

- Annual General Assemblies
- Board of Director meetings
- Annual, semi-annual, and quarterly reports

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

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

SHARE INFORMATION/MOVEMENT

Ordinary share price as at December 29, 2021
SAR 19.54

Highest share price recorded in 2021:
SAR 11.67
February 28, 2021

Lowest share price recorded in 2021:
SAR 15.09
December 23, 2021

The Bank's shareholding as at December 31, 2021:

	2021		2020	
	Amount	**%**	**Amount**	**%**
Saudi Shareholders	7,500	100	6,750.0	90.0
Treasury shares		-	750.0	10.0
Total	**7,500**	**100**	**7,500.0**	**100.0**

MARKET CAPITALIZATION (SAR billions)

	2021	2020	2019	2018
Amount	14.67	12.00	13.53	12.84
% to Industry Group	1.47%	1.89%	1.96%	2.07%

SHAREHOLDERS' EQUITY

Key performance indicator	2021	2020	2019	2018 (restated)	2017
Share capital (SAR million)	7,500	7,500	7,500	7,500	7,500
Total Shareholders' equity (SAR million)	14,801	13,331	12,007	11,621	13,494
Basic and diluted earnings/share (SAR)	1.34	1.25	0.17	0.65	1.83

The Bank's major Shareholder is the General Organization for Social Insurance and the holding percentage is 30.56%

CUSTOMER
CAPITAL

Customers are one of The Saudi Investment Bank's most important assets and building strong relationships with them ensures the long-term growth and sustainability of the business. The Bank develops products and services in response to the needs of its customers within the context of the operating environment.

2021 highlights

- First digital application experience for Mortgage Finance in The Kingdom
- Online application process for credit cards and home finance
- Superior cashback credit card

2021 challenges

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

2022 focus areas

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

OUR CUSTOMERS AT A GLANCE

The Saudi Investment Bank serves over **657,677** customers across our various product offerings

645,057
Personal Banking customers (2020: 599,242)

12,620
Corporate Banking and SME customers (2020: 13,296)

Their needs and expectations

Customers expect:

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

Related material risks:

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

Related material opportunities:

- Higher spending power in local population
- Maintaining customer satisfaction
- Adherence to Islamic banking principles
- Digital banking services
- Innovation and product development
- Blockchain
- Increasing demand for green banking and green lending

How we respond

Fulfilling customer expectations through:

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

We engage by:

- Attractive and effective marketing
- Surveys, including "Voice of the Customer", to understand their perceptions and preference, and gage satisfaction
- Call center

Accounts
We offer both Shariah-compliant and conventional banking products.

Alasalah Current Account
Salary Account
Murabaha Deposit
Time Deposits

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

Private Banking
Platinum Program
Gold Program
Silver Program

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

Alasalah Personal Finance

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

Alasalah Home Finance

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

The Saudi Investment Bank cards

Low Limit Cards
Travel Card
"EasyShopping" Card

mada Debit Cards
mada-enabled debit cards

Pre-paid Cards
"EasyPay" Payroll Card
"EasyPay" Household Card

Credit Cards
Shariah-compliant credit cards

E-Banking

Channels:

Flexx Click Internet Banking
Flexx Call Phone Banking
Flexx Transfer

Mobile apps:

Flexx Touch Mobile App
Flexx Safe
Al-Huda App
EasyPay

Payments and Transfers:

SADAD Service
SARIE Service
SWIFT Service
Point of Sale (PoS)
Payments Gateway
Flex Transfer

CORPORATE BANKING AND SME

SME

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

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

Secured Financing Program with Agricultural Development Fund (ADF)
In cooperation with the ADF, the program provides various financing products and credit services to achieve food security and sustainability of natural resources

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

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

Corporate

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

Cash Management

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

Trade Finance Solutions

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

TREASURY AND INVESTMENT GROUP

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

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

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

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

Access points	2021	2020	2019	2018
Branches	51	52	52	52
ATMs (dispense and cash deposit functionality)	379	312	341	361
Interactive teller machines	4	4	4	4
Cash deposit machines	12	12	12	63
POS terminals	6,662	9,895	9,375	9,307

As part of our digitalization drive, the Bank made several new services and product enhancements available to our customers in 2021:

- Enabled the new e-saving product and additional accounts on our digital channels.
- Enabled virtual cards and the access to the card information through digital channels.
- Enhanced the corporate multi-currency product
- Enhanced the retail account opening process to allow customer registration to bank e-services during the onboarding process and allow international citizens to open accounts. It also allows the customer to top-up the account and request Mada and a travel card.
- Revamped the loan processing and customer journey on the internet banking channel to enhance and digitize the loan sales without the need to visit the branch.
- Enhanced the corporate customer onboarding to simplify and automate most of the onboarding steps and processes.
- Launched the new Personal Financial Management (PFM) service that allow the customers to analyze their spending and assign budgets to spending categories.
- Enabled customers to digitally request for 100% cash margin LG directly via the retail and corporate internet banking portals and automated the end-to-end processing.
- Enabled ICAP Mutual Funds Management for retail and high network customers directly via the Banks retail internet banking channel.
- Launched the new soft-token authentication method to enable corporate internet banking customer's login to the portals with no dependency on the legacy hard token approach.
- Enhanced the mortgage portal to allow non-Bank customers to request mortgage loans and proceeds without the need for an account.
- Introduced the new Rafah Portal that allows the Bank to provide custom products and services for large corporates (including custom loans and credit card products).
- Enhanced the corporate mobile application by adding the transfer and bill payment financial services function.
- Enabled instant payment to the corporate internet banking channel.
- Extended robotics usage across multiple processes in the Bank.
- Added new services and enhancements to the internet banking channel, ATMs, and the Bank's Interactive Voice Response (IVR) channel. We also made internet and mobile banking improvements to international standards to enhance the customer experience.
- Enhanced the overall capacity for the digital services network.

SERVING SPECIAL NEEDS CUSTOMERS

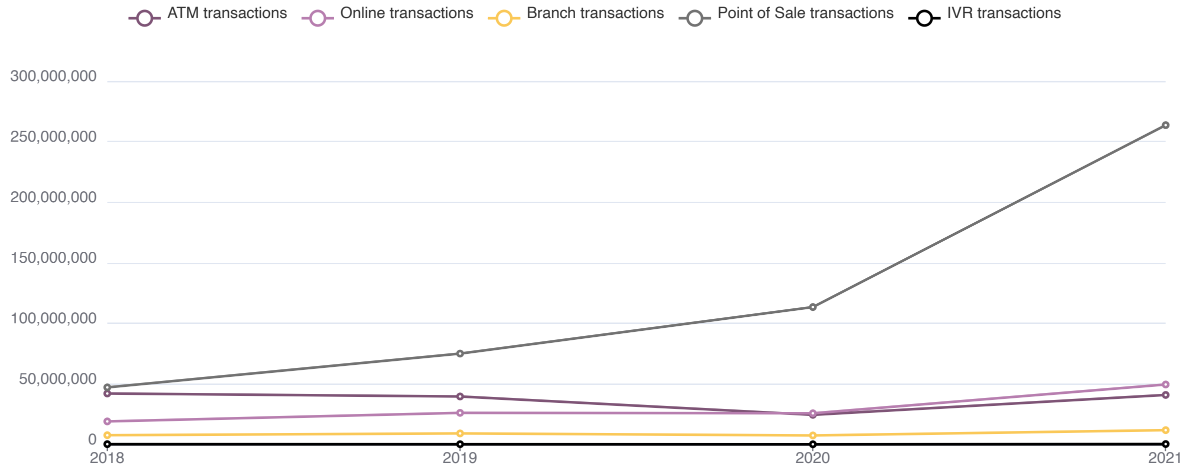
The Bank is committed to supporting special need customers. 3 of our branches in Riyadh, Dammam and Jeddah cater specifically for special needs clients through:

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

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

TRANSACTIONS

Channel	2021	2020	2019	2018
ATM transactions	40,967,909	24,553,171	39,701,368	42,157,043
Online transactions	49,595,683	25,840,157	26,178,906	19,126,325
Branch transactions	11,911,542	7,541,942	9,221,275	7,743,812
Point of Sale transactions	263,622,853	113,483,943	75,095,420	47,209,476
IVR transactions	444,959	260,559	316,956	363,151



CUSTOMER SERVICE

The Saudi Investment Bank strives to deliver an outstanding customer experience (CX), supported by data-driven insights. Our specialized in-house quality assurance and analytics team remain in touch with market trends through customer surveys and data analysis, ensuring that we provide customers with what they need and want from their bank. In 2021, we continued our digitalization journey, to support customers in the "new normal".

Customer experience

For our Bank to continue thriving, every touchpoint with the customer should be a positive experience for them. As the market evolves, with the number of younger - and more technologically adept customers - on the rise, The Saudi Investment Bank needs to provide more efficient, reliable and convenient services. The customer must be able to bank anytime, anywhere, and on any device. A consistently positive customer experience will boost customer loyalty and word-of-mouth recommendations.

On October 5, 2021, we celebrated Global CX Day with our "Customer-Centric" campaign. The campaign served to strengthen our customer-centric culture among employees, while showcasing the actions we are taking to deliver best-in-class experiences to our customers.

Customer satisfaction

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

Complaints

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

LOYALTY PROGRAMS

Our loyalty programs continued to grow in 2021.

Aseel

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

Over 302
Aseel partners
(2020: 352)

Woow

We reward loyalty members with points for their transactions, which can be redeemed for gifts from the WooW e-catalogue. In 2021, the redemption process was further enhanced, which improved the customer experience journey.

Our greatest achievements in 2021 include:

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

Ehsan

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

Woow highlights

Enrollment	2021	2020	% Growth
Total enrolled members to date	479,833	468,836	2.35%
Redemptions by unique customers	155,684	136,337	14.19%
Enrolled vs Total Customers	97.24%	92.07%	5.62%

Points	2021	2020	% Growth
Total points awarded to date	74,413,329,093	64,201,024,918	15.91%
Total points redeemed to date	45,069,889,429	37,080,505,746	21.55%
% Awarded vs. Redeemed to date	60.57%	57.76%	4.87%

MARKETING OUR BRAND

Channels

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

Targeted marketing campaigns

20
Events

2
Press releases

336,435
Unique website visitors per month
(2020: 230,616)

1,186,127
Website page views per month
(2020: 945,157)

58,200
Instagram followers
(2020: 52,600)

1,036,616
Twitter followers
(2020: 1,023,000)

1,247,175
Facebook followers
(2020: 1,262,126)

* COVID-19 prevented in-person events for the first half of 2021. However, we hosted several events in the final half of the year, including a celebration of Saudi National Day on September 23, 2021 and Career Week at King Faisal University.

Marketing campaign highlights

Health, Aviation and Education Sectors Campaign

An exclusive bundle of products and services for pilots, doctors, teachers, and others in these critical sectors.

Ministry of Health Campaign

An exclusive bundle of products and services for the Ministry of Health's heroes – the healthcare workers – offered via social media and direct email.

The Bank shared high-impact creative artworks on our social media platforms.

Personal Finance "Buy Out"

A campaign promoting the Bank's buyout offer with competitive rates and advantages, targeting both current and potential customers via all our digital channels.

The Saudi Investment Bank x Almosafer

A collaboration between The Saudi Investment Bank and Almosafer, offering exclusive discounts and cashbacks for The Saudi Investment Bank customers when using the Bank's Travel Card or Credit Card.

Travel Card Season Campaign

A special campaign promoting our Travel Card when the national travel ban was lifted in June 2021

Rfah Program

An integrated financial services and products offering to the employees of partnering entities. This solution caters for the biggest companies and public institutions in the Kingdom, with marketing materials that inform both our partners' human resource divisions and the employees they serve.

Enhancing customer experience through analytics and efficiency

Social media analysis

Social media provides a wealth of data to understand our customers, market, and reputation better. In 2021, the Bank:

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

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

Marketing automation

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

PROTECTING CUSTOMERS' PERSONAL INFORMATION GRI 418-1

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

The Bank did not experience any incidents of non-compliance with regulations or voluntary codes regarding marketing communications, including advertising, promotion, and sponsorship in 2021. GRI 417-2, 417-3 We received no complaints regarding breaches of customer privacy and loss of customer data from outside parties or regulatory bodies during the reporting period. Similarly, The Saudi Investment Bank is not aware of any identified leaks, thefts, or losses of customer data.


IDEA

EMPLOYEE
CAPITAL

The Saudi Investment Bank cannot maintain customers satisfaction without engaged employees. The Bank's strong, engaged culture is driven by our core values, which are reflected in every employee's behavior. Our employees perform as if they were owners of the business, they are collaborative and detail-oriented, and they act transparently and follow an open-door policy.

2021 highlights

- Revising our incentive schemes for greater motivation
- Increasing the Saudization rate from 90% to 91%
- Launching 3 graduate development programs
- Hiring more than 200 employees during 2021

2021 challenges

- Adjusting to the new normal brought on by COVID-19
- Driving employee engagement and development

2022 focus areas

- Completing the design of our Employee Value Proposition, to attract top talent
- Upskilling talent to build risk and digital capability

OUR EMPLOYEES AT A GLANCE

The Bank's **623** employees support our various business divisions

569
Retail employees (2020: 585)

112
Corporate Banking and SME employees (2020: 117)

49
Treasury and Investment employees (2020: 55)

Their needs and expectations

Employees expect:

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

Related material risks:

- Economic slowdown and instability
- COVID-19 precautions
- Human and labor rights

Related material opportunities:

- Adherence to Islamic banking principles
- Employee satisfaction and engagement
- Staff training
- Equal opportunity and anti-discrimination
- Remote working

How we respond

Fulfilling employee expectations through:

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

We engage with:

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

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

HEADCOUNT GRI 405-1

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

% of Saudi employees GRI 202-2
91%
(2020: 90%)

Total number of permanent employees
1,353
(2020: 1,315)

% of female employees
24
(2020: 20)

Alistithmar Capital
Male 97
Female 31

Gender analysis
Male 1,034
Female 319

New hires
Male 127
Female 65

Turnover ratio GRI 401-1
<1%
(2020: 1%)

Hours spent on training
15,541
(2020: 12,124)

Region

	2021	2020
Central Region	1,110	1,060
Western Region	95	154
Eastern Region	148	101

Category

	2021	2020
Permanent (Saudi Investment Bank)	1,353	1,315
Outsourced	78	56
Alistithmar Capital	133	114

Age group	2021 Male	2021 Female	2020 Male	2020 Female
18-30 years	187	142	290	157
31-40 years	547	155	491	90
41-50 years	275	25	218	17
Over 50 years	19	3	52	0

Grade	2021 Male	2021 Female	2020 Male	2020 Female
Senior management	127	10	131	9
Middle management	253	50	236	56
Non-management	642	271	684	199

	Saudi Investment Bank			Alistithmar Capital			Total		
Saudization	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Saudis (%)	91	90	87.84	83	80	81.90	90	89	87.44
Non-Saudis (%)	9	10	12.16	17	20	18.10	10	11	12.56

Male-female salary ratio GRI 405-2	2021	2020	2019	2018	2017
Senior management	1:0.69	1:0.69	1:0.72	1:0.93	1:0.55
Middle management	1:0.24	1:0.23	1:0.89	1:0.83	1:0.76
Non-management	1:039	1:0.35	1:0.91	1:0.91	1:0.86

EMPLOYEE ENGAGEMENT INITIATIVES IN 2021

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

World Happiness Day

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

Blood Donation Day

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

Cybersecurity

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

Customer Experience Day

Employees received gifts and information packs relating to CX on October 5, 2021.

حملة مين قدها

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

Saudi National Day

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

MOTIVATION AND RETENTION

The Bank spent SAR 687 million on salaries and benefits in 2021 (The Saudi Investment Bank and Alistithmar Capital).

Salaries and benefits (SAR '000s)	2021	2020	2019	2018
Fixed compensation	421,679	415,705	390,026	417,336
Variable compensation accrued	89,000	83,000	82,000	70,000
Other employee benefits and related expenses	176,703	173,331	154,301	138,655
Total salaries and employee-related expenses	687,382	672,036	626,327	625,991

Employee benefits, over and above competitive remuneration, include life insurance, medical insurance, fitness club membership, social security, loyalty programs, and allowances for housing and transportation. GRI 401-2

Parental leave GRI 401-3

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

	Male	Female
Number of employees who took parental leave	116	307
Number of employees who returned to work after parental leave	116	296
Number of employees who returned to work after parental leave who were still employed 12 months after return	106	201
The return to work and retention rates of employees who returned to work after parental leave ended	103	196

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

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

Job rotation

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

LEARNING AND DEVELOPMENT GRI 404-1

A top-class workforce allows us to provide a top-class offering to our clients. Our SAMA-aligned curriculum therefore focuses on developing our employees' digital capabilities through modules on blockchain, IoT, and machine learning, as well as Shariah governance and anti-money laundering. Employees can use any of the following platforms to access training:

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

An assessment center conducts psychometric analyses of the Bank's talent pool to identify employees with high potential. A specific tool is used to determine each individual's strengths, motives, values, and areas for development.

Training statistics (The Saudi Investment Bank only)

	2021	2020	2019	2018	2017
Number of training programs	176	159	239	192	219
Total number of participants	1,252	1,302	1,423	1,681	1,732
Training days	2,412	1,732	4,543	3,775	4,491
Hours spent on training (based on a 7-hour training day)	15,541	12,124	31,801	26,425	
Number of trained staff	626	531	598	1,107	794

	Number of employees			Number of person hours of training		
Grade	Male	Female	Total	Male	Female	Total
Senior management	35	12	47	414	366	780
Middle management	200	41	241	3072	498	3,570
Non-management	735	284	1,019	6438	3606	10,044

	Number of employees			Number of person hours of training		
Type	Male	Female	Total	Male	Female	Total
Mandatory	1,107	336	1,444	9,963	3,024	12,987
Non-mandatory	970	337	1,307	9,924	4,470	14,394
E-learning	1,127	343	1,471	10,063	4,505	14,568

Type	2021	2020	2019	2018
Formal training hours	15,541	12,124	30,618	26,425
Percentage of female employees (%)	24	30	48	25
Percentage of hours – Soft skills (%)	9%	36	60	74
Percentage of hours – Technical skills (%)	91%	64	40	26
Percentage of hours completed by female employees (%)	24	29	28	33
Total number of participants	1,320	1,302	1,443	1,681
eLearning modules	1,444	1,332	1,261	208

Training (Percentage of training hours per subject) GRI 404-2

Soft skills	Banking operations	4%
	English skills	0%
	Management and personal skills	9%
	Quality assurance and customer service	0%
	Health and safety GRI 403-5	0%
Technical skills	Banking regulations	5%
	Financial and accounting	35%
	Human resources	0%
	Information technology	1%
	Leadership	2%
	Professional certificates	38%
	Risk management	1%
	Treasury and investment	3%
	Marketing and media	0%
	Project management	0%
	Events and conferences	1%
	Shariah-Compliant Banking	0%

Performance and career development reviews GRI 404-3

OCCUPATIONAL HEALTH AND SAFETY GRI 403-1

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

	2021	2020
Employee and Contractor fatalities	0	0
Employee and Contractor lost time injuries GRI 403-9, 403-10	0	0
Employee and Contractor total recordable injuries	0	0
Employee and Contractor absenteeism	0	0

GRIEVANCE POLICY

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

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

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

	2021	2020
Grievances filed during the year	0	0
Grievances filed during the year resolved	0	0
Grievances resolved during the year filed the previous year	0	0
Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported	
Operations and suppliers at significant risk for incidents of child labor	No operations and suppliers at significant risk for incidents of child labor reported	
Operations and suppliers at significant risk for incidents of forced or compulsory labor	No operations and suppliers at risk for incidents of forced or compulsory labor reported GRI 406-1, 408-1, 409-1	

BUSINESS PARTNER CAPITAL

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

2021 highlights

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

2022 focus areas

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

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

OUR BUSINESS PARTNERS AT A GLANCE GRI 204

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

Their needs and expectations

Business partners expect:

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

Material risks:

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

Material opportunities:

- Vision 2030 drive to support SMEs
- Adherence to Islamic banking principles

How we respond

Fulfilling business partners' expectations through:

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

We engage through:

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

SUPPLIERS

The Bank's procurement costs center around stationery, equipment, and software. The Saudi Investment Bank is conscious of its impact on local communities and strives to source from Saudi suppliers whenever possible. GRI 204-1 Suppliers are regularly evaluated for their performance to ensure the timely procurement and quality of supplies and to maintain good relations. The Bank does its part to meet its payment obligations timeously.

	2021		2020	2019	2018	2017
	Had business with	New vendor created				
International suppliers	91	24	97	137	39	79
Local suppliers	301	56	262	305	148	154
Spending (international procurement) –SAR	97,201,181	5,679,458	82,270,891*	68,244,427	60,777,564	36,644,044
Spending (local procurement) – SAR GRI 204-1	380,533,729	39,673,917	359,999,608*	399,433,627	389,513,667	259,314,171
Percentage of local procurement spending GRI 204-1	80%		81%	85%	87%	88%

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

CORRESPONDENT BANKS

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

STRATEGIC PARTNERSHIPS

WHOLLY OWNED SUBSIDIARIES

The Bank has 3 wholly owned subsidiaries:

Alistithmar for Financial Securities and Brokerage Company, which offers brokerage, asset management, investment banking and other services in the Kingdom of Saudi Arabia.

As at December 31, 2021:

Total capital:
SAR 250 million

Shares outstanding:
25 million

Debt instruments issued:
None

Assets under management:
SAR 29,531 million

Considered Shariah approved assets under management:
SAR 7,729 million

The Saudi Investment Real Estate Company. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions.

As at December 31, 2021:

Total capital:
SAR 500,000

Debt instruments issued:
None

SAIB Markets Limited Company was registered as a limited liability company in the Cayman Islands in July 2017 with the objective to trade in derivatives and Repo activities on behalf of the Bank.

As at December 31, 2021:

Total capital:
SAR 187.5 (thousand)

Debt instruments issued:
None

ASSOCIATE COMPANIES

The Bank also has investments in 3 associate companies in Saudi Arabia as follows:

American Express (Saudi Arabia) - ("AMEX"), is a Saudi closed joint stock company. AMEX's principal activities are to issue credit cards and offer other American Express products and services in Saudi Arabia.

As at December 31, 2021:

Total capital:	Shares outstanding:	Shares held by Bank:
SAR 100 million	**100 million**	**50%** (5 million shares)

Yanal Finance Company (formerly "Saudi ORIX Leasing Company") ("Yanal") is a Saudi closed joint stock company in Saudi Arabia that provides lease financing services.

As at December 31, 2021:

Total capital:	Shares outstanding:	Shares held by Bank:
SAR 550 million	**55 million**	**38%** (20.9 million shares)

Amlak International for Finance and Real Estate Development Co. ("Amlak"). Amlak is a Saudi joint stock company in Saudi Arabia, offering Shariah-compliant real estate finance products and services.

As at December 31, 2021:

Total capital:	Shares outstanding:	Shares held by Bank:
SAR 906 million	**90.6 million**	**22.41%** (20.3 million shares)

AFFILIATIONS

GRI Community member

The Saudi Investment Bank retained its GRI Community membership for the year under review. The GRI Community is a global collaborative network of companies and Stakeholders committed to transparent ESG and overall sustainability reporting.

SOCIAL AND
ENVIRONMENTAL CAPITAL

"Awn" (helping others) and "Hifth" (environmental protection) are 2 of the pillars of The Saudi Investment Bank's sustainability framework that highlights the Bank's social and environmental responsibility. The Bank has a responsibility to support the Saudi Arabian communities that form our customer base, and to help the disadvantaged. The Bank also has a responsibility to minimize its environmental footprint and conserve natural resources to ensure continued long-term value creation.

2021 highlights

- Continued success of the Building Management System
- Deactivating all charity organizations from WooW Al Khair except the official government platforms like Ehsan
- Hosting a blood donation event at which 87 Bank employees donated
- 73% reduction in our GHG Scope 2 Emission compared to FY2016 after the implementation of BMS and other initiatives
- We have successfully managed to reduce the incoming AC System maintenance requests for our branches by 61% as compared to FY2016

2021 challenges

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

2022 focus areas

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

OUR COMMUNITIES AT A GLANCE

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

Their needs and expectations

Communities expect:	Related material risks:	Related material opportunities:
• Access to advice, products and solutions to enhance financial wellbeing • Social investment • Community upliftment • Financial education/inclusion.	• Economic slowdown and instability • Human and labor rights • Loss of social license to operate	• Vision 2030 drive to support SMEs • Equal opportunity and anti-discrimination • Community investment and engagement • Environmentally friendly corporate practices • Increasing demand for green banking and green lending

How we respond GRI 203-2

Fulfilling community expectations through:	We engage by:
• Community support and investments • Financial literacy programs • Community health and wellness initiatives • Sponsorships • Internships	• Conducting social programs focused on health and education • Employee volunteers assisting with social programs

ENVIRONMENTAL

ENVIRONMENTAL POLICIES AND SYSTEMS

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

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

Environmental management

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

A Procedures Manual underpins the EMS implementation by:

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

Building management system

To develop a comprehensive understanding of the environmental impact of the Bank's energy usage and emissions, the Bank implemented a Building Management System (BMS) across all branches in the Kingdom to guide the minimization of our environmental impact. Since being implemented in 2015, the BMS has delivered a significant reduction in energy consumption (MW/h) of over 23%. As a result, The Saudi Investment Bank BMS was published by Dallah Trading Company - TRANE as a formal case study.

ENVIRONMENTAL PERFORMANCE IN 2021

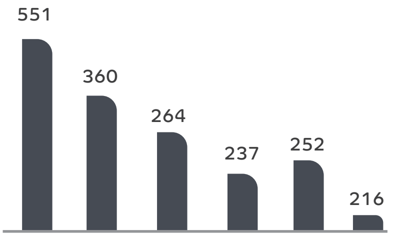
The efforts of our BMS Team in tracking detailed energy usage has been fundamental to sustaining overall progress. As a result of these efforts, many timely initiatives were taken to identify lapses. Management took prompt action to implement eco-friendly initiatives, such as a solar system, LED lighting, energy-efficient IT and air conditioning systems, and water conserving systems. We are pleased to have achieved a 73% reduction compared to FY2016 in our GHG Scope 2 Emissions after the implementation of BMS & other initiatives.

	Energy consumption GRI 302-1, 302-4			GHG Emissions GRI 305-1, 305-2		Petrol/Diesel consumption	
	MWh	GJ	SAR	Direct Scope 1 (Fuel/Diesel usage)	Indirect Scope 2 (Electricity usage)	Liter	GJ
2016	33,541	120,748	9,877,600	264	21,936	110,005	8,813
2017	32,596	117,346	10,132,628	257	20,673	107,310	8,584
2018	28,258	101,729	9,249,624	255	18,481	106,110	8,162
2019	31,883	114,779	10,003,314	257	20,851	83,178	6,398
2020*	29,807	107,305	9,561,695	254	19,494	79,193	6,092
2021	9,196	33,107	8,046,720	173	6,014	72,192	2,498

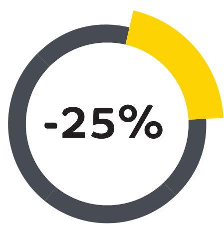
* Information based on projected data for January – December of FY2020.

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

AC INCIDENTS – BRANCHES*



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



of our CO2 emissions per employee by 2023

Energy savings over the past 4 years

SAR 2 million of cost savings

More than **5 GWh of energy** saved

More than **2023 tonnes of CO2** avoided

*Due to proactive approach of our BMS team, we have managed to effectively reduce the number of AC breakdowns & AC incidents opened by the end user in our branches.Comparing to the FY2016, we have successfully managed to reduce the incoming AC System maintenance requests for our branches by 61% in FY 2021.

Paper usage and recycling GRI 301-2

Total paper consumption (Kgs)

2021	2020	2019	2018	2017	2016
28,122	25,802	46,325	68,770	73,995	64,187

Paper recycled (Kgs)

2021	2020	2019	2018	2017	2016
8,968	4,760	8,007	48,384	9,676	8,852

Paper consumption/employee (Kgs)

2021	2020	2019	2018	2017	2016
21.39	19.58	35	46	49	39

Plastics recycled (Kgs)

2021	2020	2019	2018	2017	2016
2,512	2,680	3,735	10,788	1,194	-

Electronics recycled (Kgs)

2021	2020	2019	2018	2017	2016
-	-	5,560	14,620	2,010	-

No activity in 2021 due to COVID-19 precautionary measures

Water consumption and expenditure GRI 303-1

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

63,362,288
Consumption (liters)
(2020: 78,154,000)

379
Expenditure (SAR '000s)
(2020: 466)

Due to irregularity in the invoicing of water bills, the data is currently not available for FY 2021.
GRI 303-5

The figure of 63,362,288 liters is derived from 63,362 (m^2) annual water consumption of Kingdom-wide branches which has been calculated via a formula based on the number of invoices paid and as per the tariff schedule of the National Water Company.

The reported water consumption comprises all the domestic usage of water where applicable and is recorded from the main incoming domestic water supply lines of the Branch.

LOOKING AHEAD: FUTURE INITIATIVES
In 2022, our primary focus areas will comprise:

- Reducing our water and electricity use
- Reducing our paper consumption
- Increasing our recycling rates for paper and plastic

We also understand that a solar system provides a more sustainable and cost-effective alternative to national grid-supplied electricity. It is also cheaper to maintain, convenient to install, has a better equipment life, and offers a good return on investment. By 2024, a national ban on the R-22 Refrigerant type ACs we currently use will necessitate a new system, and we have therefore started sourcing suppliers for AC system replacements at 9 of our offices.


800 124 8000

SOCIAL RESPONSIBILITY GRI 203-1

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

Total volunteers
117
(2020: 128)

Volunteers as a percentage of total employees
9%
(2020: 9.7%)

Male volunteers
68%
(2020: 65%)

Female volunteers
32%
(2020: 35%)

Hours worked
Due to COVID-19 no hours were reported
(2020: 19 for both male and female volunteers)

Our annual sustainability strategy determines the projects to which we lend support, and these projects are approved as part of the annual business planning and budgeting process.

2021 INITIATIVES GRI 413-1

Social responsibility highlights for 2021 include:

Ehsan

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

Blood donation

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

Sustainability benchmarking

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

Creating social impact

Ensuring the charity funds reach those who need it most

Saudi National Day

The Bank celebrated Saudi National Day on September 23, 2021. Our national pride campaigns on social media saw more than 45 million hashtag engagements on Twitter, while our employees contributed to a celebratory video that we shared with our consumers.

Women's Day

A video production of The Saudi Investment Bank's female employees conveyed the message that all Saudi women share the same achievements, determination, and persistence as HRH Princess Nora bint Abdurrahman. The video was shared across the Bank's social media channels on Women's Day.

COVID-19 initiatives

Recognizing the severe toll that COVID-19 took on citizens, workers, customers, and businesses across the Kingdom, The Saudi Investment Bank undertook several initiatives to contribute to the betterment of society during this extraordinary time.

The Bank continued to support the Government's direction and measures to safeguard the Kingdom from COVID-19, and leveraged its internal and external communication channels to create awareness.

An appreciation campaign for the sectors that gave the most to our Kingdom was launched, offering a tailor-made bundle of products and services to the healthcare, aviation and education sectors. We also offered special bundles to the Ministry of Health's heroes.

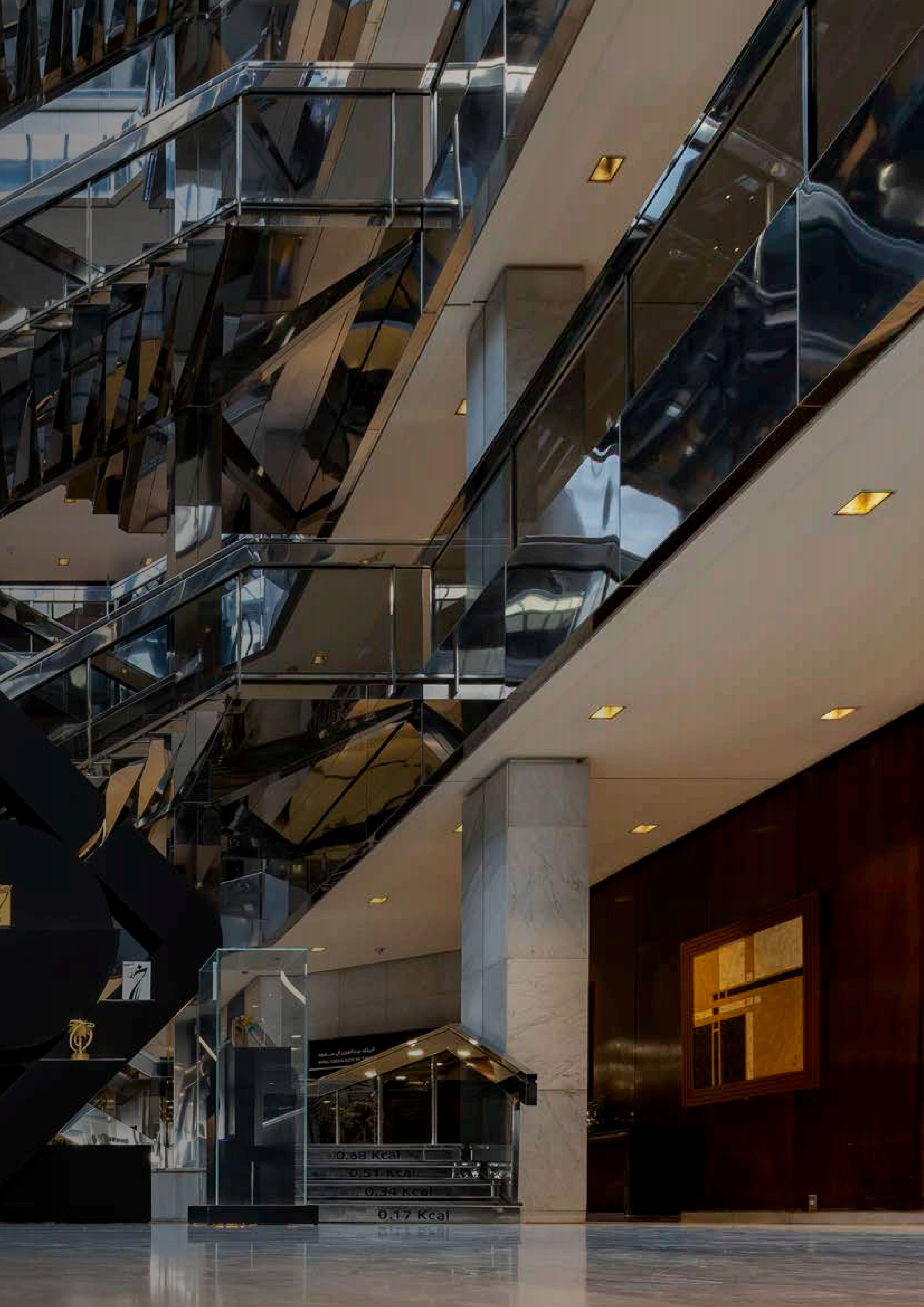
LOOKING AHEAD: FUTURE INITIATIVES

The Bank will support mainly educational programs targeted at the youth in 2022.

The following are the key principles of The Saudi Investment Bank's CSR Policy, subject to ensuring the solvency of the Bank:

- Maximize Shareholder value.
- Provide banking services, support and sponsorship that meets the requirements and needs of businesses/Stakeholders.
- Meet the credit needs of the local economy through granting loans and facilities for productive businesses.
- Provide innovative products that encourages economic development.
- Conducting the business with the highest local and international standards / principles of ethics, ensuring fair treatment of its different Stakeholders including its Shareholders, customers, vendors, employees as well as the public.
- Support various social projects and spread further guidance and awareness within society of financial products and services as well as its different inherited risks.
- Supporting various social projects and work to increase the level of awareness and guidance.
- Exercise due consideration for environmental and sustainability issues in the conduct of its business.
- Support and encourage small and medium enterprises without compromising the Bank and its Stakeholders.
- Achieve sustainability development for the society as well as Bank employees.

Good Stewardship 05


0.68 Kcal
0.51 Kcal
0.34 Kcal
0.17 Kcal

CORPORATE GOVERNANCE GRI 102-16, 102-18, 102-19

Corporate Governance at The Saudi Investment Bank is about promoting fairness, transparency and accountability by setting out the responsibilities of the Board, management and shareholders. More than just showing a further commitment to doing the right thing, good governance is a strong indicator of overall management capability and quality.

Principles of governance at The Saudi Investment Bank
Control environment – the internal control mechanics, driven by the Board's responsibilities toward stakeholders, supported by guidelines documented in simple and accessible policies, procedures, and authorities that guide actions and govern practices

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

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

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

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

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

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

Social Responsibility – the Bank recognizes the importance of Social contribution and is committed to put in place Social programs.

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

- The Executive Committee is comprised of five Board members. The Committee supervises the credit and financial policies of the Bank, and oversee the Bank's business strategy and its execution. The Committee's responsibilities also include reviewing, monitoring and approving key financial and non-financial business, and investment and operational decisions of the Bank within the authority defined by the Bank.
- The Audit Committee is comprised of five members, two Board members and three non-Board members. The Committee's activities include ensuring the quality and accuracy of financial accounting and financial statements including review of quarterly and annual financial statements and recommendation to the Board for approval, supervising and reviewing the effectiveness and independence of Internal Audit and External Auditors, reviewing the Compliance and Anti-money laundering processes including code of conduct and whistleblowing cases, reviewing and evaluating the nature and effectiveness of the Bank's Internal Control system including IT systems controls, their security and their vulnerabilities, and recommending the appointment of the External Auditors.
- The Nomination and Remuneration Committee is comprised of four Board members. The Committee is responsible for recommending to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards, reviewing on an annual basis the requirements for the suitable skills for membership of the Board of Directors, reviewing the structure of the Board of Directors, and recommending changes thereto. It is also responsible to recommend to the Board the approval of the Bank's compensation policy and amendments thereto, and other activities related to the Bank's compensation policies and guidelines. It is also responsible for approving the appointment and remuneration of senior executives of the Bank, reviewing and supervising the implementation of succession planning and training of the Bank's Board members, the CEO, and the direct reports of the CEO.
- The Governance Committee is composed of three board members. The Committee is responsible for promoting and implementing best practices of governance by acting on behalf of the Board to ensure the implementation of these practices in all activities of the Bank. The Committee also monitors the Bank's compliance with relevant local and international regulations. The Committee also monitors and guides the Governance function in the Bank, including its ownership of corporate governance policies, processes and procedures.
- The Risk Committee is comprised of four Board members. The Committee supervises the risk management activities of the Bank including market, credit, operational, and other risks. The Committee's activities also include setting the Bank's Risk Management Strategy, setting the Bank's Risk Appetite framework, periodically reviewing the actual risk profile against the approved risk capacity and risk appetite, reviewing the Internal Capital Adequacy Assessment Plan and the Internal Liquidity Adequacy Assessment Plan, reviewing stress test results and review of the risks relating to the Bank's subsidiaries and their potential impact.
- The Shariah Committee is comprised of three members. The Committee is responsible for providing Shariah opinions on submitted applications and related contracts and forms. The Committee is also responsible for ensuring the Bank's compliance with Shariah principles and decisions through the Shariah control function. In addition, the Committee answers Shariah related enquiries for the Bank and its customers.

The composition of the six Board Committees is presented below:

Executive Committee	Audit Committee	Nomination and Remuneration Committee	Governance Committee	Risk Committee	Shariah Committee
Mr. Abdulaziz Al-Khamis, (Chairman)	Mr. Mohammad Al-Ali (Chairman)	Dr. Fouad Al-Saleh (Chairman)	Mr. Yasser Aljarallah (Chairman)	Mr. Mohammed Algrenees (Chairman)	Dr. Mohamed Elgari (Chairman)
Mr. Abdul Rahman Al-Rawaf	Mr. Mohammed Bamaga	Mr. Abdulaziz Al-Khamis	Mr. Mohammad Al-Ali	Mr. Mohammad Al-Ali	Dr. Ibrahim Al-Lahim
Dr. Fouad Al-Saleh	Mr. Abdullah Al-Anizi (non-board)	Mr. Saleh Al-Athel	Mr. Saleh Al-Athel	Mr. Yasser Aljarallah	Dr. Abdulaziz Almezeini
Mr. Saleh Al-Athel	Mr. Monahy Al-Moreikhy (non-board)	Mr. Abdul Rahman Al-Rawaf	-	Mr. Mohammed Bamaga	-
Mr. Mohammed Algrenees	Mr. Fayez Belal (non-board)	-	-	-	-

Performance of the Board of directors

Corporate Governance continues to be an important aspect of the business world where the Board of Directors are entrusted among other duties to oversee the Bank, implementation of the Bank's strategic objectives, approving risk strategy, approving corporate governance rules and principles of professional conduct, and supervision of senior management.

In the aim of reviewing the Board's effectiveness including its own controls and work procedures, the Board of Directors carries out an annual internal assessment of the Board as whole, its members, its Committees and Board Committees' members. The assessment is carried out by an external specialized consultant every three years.

RISK MANAGEMENT

As a financial services company operating in today's globalized economy, it is critical for the Bank to identify, measure, aggregate, and effectively manage risks, including efficiently allocating regulatory capital to support the Balance Sheet and derive an optimal risk and return ratio. We strive to ensure that significant and measurable risks are identified, quantified, and managed proactively. In so doing, the Bank enhances risk-adjusted returns and provides financial comfort and stability to our customers and other Stakeholders.

Moreover, the Bank's Stakeholders, including regulators and rating agencies, expect the Bank to have a clear and well-defined Risk Management Framework in place that adequately addresses the various dimensions of the Bank's business. To this end, we have developed a comprehensive set of policies that deal with all aspects of risk management and complies with regulatory requirements.

The Board-approved Risk Management Policy Guide is the overarching policy document and conforms with SAMA Guidelines. This Policy covers in depth the risks the Bank is exposed to and describes the risk governance structures and risk management policies in place for the management, monitoring, and control of the risks through the Board-approved Risk Appetite Framework, Credit Policy Guide, and Treasury Policy Guide.

The key element of a precautionary approach, from a business perspective, is to prevent rather than cure through the systematic application of risk assessment, management and communication.
GRI 102-11

The Board-approved Risk Appetite Framework (RAF) outlines how the Bank manages its risks in a structured, systematic, and transparent manner by incorporating comprehensive risk management into its organizational structure, risk measurement, and monitoring processes. The RAF is aligned with the Bank's strategy, business planning, capital planning, and policies and documents approved by the Board of Directors. It complies with the Financial Stability Board's "Principles for an effective Risk Appetite Framework" dated November 18, 2013, as adopted by SAMA. The Bank's RAF includes the following key characteristics:

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

The Board of Directors is responsible for establishing Corporate Governance processes, approving the Risk Appetite and related risk management frameworks, and for approving and implementing policies to ensure compliance with SAMA Guidelines, accounting and reporting standards, and best industry practices including Basel Guidelines.

The Board of Directors has approved the Group's Risk Management Guide Policy as the overarching Risk Policy Guide for a suite of policies including:

- Risk Appetite Framework Policy
- Credit Policy Guide
- Treasury Policy Guide
- Stress Test Policy
- Internal Capital Adequacy Assessment Plan Policy
- Operational Risk Management Framework and Policy
- Fraud Risk Policies, Information Security Policies, among others.

The Board-approved IFRS 9 Governance Framework Policy addresses the Group's IFRS 9 Approach and Methodology Policy. These are supplemented by additional management level policies including an IFRS 9 Data Management and Control Framework Policy, and the IFRS 9 Governance Framework, as well as related accounting and operating procedures.

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

At the Management level, the Bank operates various committees including an Enterprise Risk Management Committee, a Credit Committee, and an Asset Liability Committee, which are responsible for various areas of risk management.

A Management level Expected Credit Loss Committee linked to the Bank's IFRS 9 Governance and Framework Policy also operates, which is responsible for all aspects of IFRS 9 including expected credit losses.

At the departmental level, the Bank has a Risk Management Group headed by the Chief Risk Officer, who is supported by Assistant General Managers in charge of Risk Management, Credit Risk Review, Credit Administration, and Collections.

The Bank's Internal Audit Function reports to the Audit Committee of the Board of Directors and provides an independent validation of business and support units' compliance with risk policies and procedures and the adequacy and effectiveness of the Risk Management Framework on a Bank-wide basis.

TYPES OF RISK FACED BY THE BANK

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

Credit risk

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

The Bank has a comprehensive framework for managing credit risk, including an independent credit risk review function and credit risk monitoring process. The Bank assesses the probability of default of counterparties using internal rating tools and supplements these with external ratings from major rating agencies, where available.

The Bank continues to improve the overall credit risk control function through further investment in a post-sanction review process to mitigate potential credit losses that may arise.

Market risk

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

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

Currency risk can arise from fluctuations in prevailing foreign currency exchange rates on the Bank's financial position and cashflows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are independently monitored.

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

Liquidity risk

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

The Bank's Management carefully monitors the maturity profile of its assets and liabilities to ensure that adequate liquidity is maintained on a daily basis. The Daily Liquidity Coverage Ratio, Net Stable

Funding Ratio, and the Loans to Deposit Ratio are also monitored regularly and independently to ensure compliance with SAMA Guidelines. The Bank also conducts regular liquidity stress testing under a variety of scenarios which cover both normal and more severely stressed market conditions. All liquidity policies and procedures are subject to review and approval by the Bank's Asset and Liability Committee.

Operational risk

Operational risk arises from inadequacies or failures in internal processes, people, systems, or from external events.

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

The continuous assessment of operational risks and their controls across all the Bank's business and support units are monitored through RCSA exercises, close monitoring of agreed action plans as a result of the RCSA exercises, and establishing an Operational Risk Appetite for the Bank as a whole. This includes monitoring the operational risk losses incurred on an ongoing basis and taking corrective actions to eliminate or minimize such losses in the future. Global major loss incidents across the banking industry are also duly analyzed to assess their impact if these are incurred in the Bank. The Bank's KRIs cover all the business and support units to facilitate proactive monitoring and management of operational risks.

Financial crime risk

Financial crimes are considered a significant risk for financial institutions and all Stakeholders (including customers, employees, Shareholders, counterparties etc.). Occurrence of such crimes can have a significant negative impact on the Bank and its reputation.

The Bank continues to enhance its Fraud Management Framework which the Fraud Prevention and Detection Department (FPDD) operates within. The Fraud Risk Management Framework defines the principles of identification, assessment, escalation, investigation, resolution, reporting, and corrective action on fraud-related issues. It lays down an approach for procedures related to tools and methods engaged by FPDD to protect the Bank from exposure to financial crime. FPDD presents their findings and recommended actions to the Financial Fraud Control Committee (FFCC) on a regular basis.

Cybersecurity risk

The Cybersecurity risk landscape continues to be dynamic and challenging. The Bank is proactively addressing ongoing cybersecurity challenges by deploying dynamic defenses via multiple countermeasures for prevention, detection, and response. The Bank has also deployed various security measures using the defense in-depth and multilayer security principle to ensure the effectiveness of the overall cybersecurity posture of the Bank.

The Bank has also strengthened its existing cybersecurity governance practices by implementing financial industries best cybersecurity practices that ensures confidentiality, integrity, privacy, and availability, which are treated as an integral part of all business and technical processes. The Bank also continually ensures the alignment of the cybersecurity and business objectives through the implementation of the Cybersecurity Strategy, which is supervised and monitored by the Management Cybersecurity Steering Committee. Also, the Bank is continuously enhancing the cybersecurity culture through various awareness and training programs targeting employees and customers through multiple channels.

The Bank constantly performs cybersecurity assurance assessments on its systems, applications and networks to ensure that all of its business services are secure and reliable. Furthermore, the Bank conducts, on a regular basis, independent internal and external audits by reputable vendors to ensure the effectiveness of implemented cybersecurity controls and compliance with local regulatory and international standards such as the Saudi National Cybersecurity Authority (NCA), SAMA, SARIE, SWIFT, Payment Card Industry Data Security Standard (PCI DSS) and Saudi National Data Management Office. The result of these extensive audit exercises ascertains that the Bank complies with regulations and cybersecurity standards and shows that the Bank's cybersecurity posture meets required best security industry standards. The Bank also obtained ISO27001 certification of compliance in 2021, which reflects its commitment to ensuring its cybersecurity stance as per the international standard.

The Bank has a 24/7/365 Security Operation Center which continuously monitors and proactively responds to cybersecurity threats and attacks in a timely manner. As a result of implemented cybersecurity measures, the Bank has demonstrated resilience against numerous cyber-attacks targeting with no cybersecurity-related downtime or operational losses incurred during 2021.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The Bank recognizes the importance of planning for Business Continuity. An effective Business Continuity Plan ("BCP") facilitates in mitigating a serious disruptive incident in a controlled, timely, and structured manner.

Since February 2020, the Bank, like all other organizations around the world, faced the impact of the COVID-19 pandemic, and this was managed successfully due to the Bank's strong business continuity infrastructure. Through the Corona Virus Response Committee, which acted as a command center for the Pandemic impact, the Bank was able to comply with all government regulations on time, manage work from home procedures smoothly, and maintain all premises with required precautionary procedures.

During 2021, the Bank further strengthened the testing of its BCPs and procedures. Detailed tests were completed on different occasions. In October 2021, the Bank successfully conducted a continuous 5-day disaster recovery test of all mission critical IT systems by switching and operating them from the 'Bank's Disaster Recovery Center (DRC) at once. No dependency on the Bank's Main Data Center (MDC) was noted, knowing that the test considered a utility crisis scenario that required the Bank to simulate the need for all backup environments (IT Systems and buildings).

The Bank was able to accomplish ISO 22301 requirements during 2021 and maintain the validity of the certificate from the International Organization for Standardization – 22301 (ISO 22301) which mainly related to Resilience and Business Continuity. ISO released the latest version of the standard in 2019. The Saudi Investment Bank is one of the first Saudi banks certified with this new version. Being an ISO 22301 Certified Organization provides more assurance to our customers, Shareholders, Stakeholders, regulators, Management and employees, vendors, suppliers, and partners that the Bank is a resilient organization with a strong business continuity program that provides a safe environment against disruptions, disasters, or crises.

COMPLIANCE

The following GRI disclosures form part of this section:

102-17 Mechanisms for advice and concerns about ethics
a. A description of internal and external mechanisms for:
i. seeking advice about ethical and lawful behavior, and organizational integrity;
ii. reporting concerns about unethical or unlawful behavior, and organizational integrity.

GRI 205: Anti-corruption

103-1 Explanation of the material topic and its boundary
103-2 The management approach and its components
103-3 Evaluation of the management approach
205-1 Operations assessed for risks related to corruption: a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.
205-2 Communication and training about anti-corruption policies and procedures: a. Total number and percentage of governance body members that the organization’s anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization’s anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization’s anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization’s anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.
205-3 Confirmed incidents of corruption and actions taken: a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.

FINANCIAL STATEMENTS

GRI 102-45

The following GRI disclosures form part of this section:

GRI 201: Economic performance

103-1 Explanation of the material topic and its boundary	
103-2 The management approach and its components	
103-3 Evaluation of the management approach	
201-1 Direct economic value generated and distributed: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: ‘direct economic value generated’ less ‘economic value distributed’.	Financial statements
201-2 Financial implications and other risks and opportunities due to climate change: Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	

201-3 Defined benefit plan obligations and other retirement plans: a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities. b. If a separate fund exists to pay the plan's pension liabilities: i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. the basis on which that estimate has been arrived at; iii. when that estimate was made. c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Percentage of salary contributed by employee or employer. e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.	Notes to the Consolidated Financial Statements
201-4 Financial assistance received from government: a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including: i. tax relief and tax credits; ii. subsidies; iii. investment grants, research and development grants, and other relevant types of grant; iv. awards; v. royalty holidays; vi. financial assistance from Export Credit Agencies (ECAs); vii. financial incentives; viii. other financial benefits received or receivable from any government for any operation. b. The information in 201-4-a by country. c. Whether, and the extent to which, any government is present in the shareholding structure	Notes to the Consolidated Financial Statements

Financial Statements 06

KPMG Professional Services

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Building a better working world

Ernst & Young Professional Services

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

Opinion

We have audited the consolidated financial statements of The Saudi Investment Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes from 1 to 45.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, a description of how our audit addressed the matter is provided in that context:

KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SAR 25,000,000
C.R. No. 1010425494

Ernst & Young Professional Services
(Professional LLC)
Paid-up capital (SAR 5,500,000 – Five million and five hundred thousand Saudi Riyal)
C.R. No. 1010383821

KPMG Professional Services

Building a better working world

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses over loans and advances As of December 31, 2021, the gross loans and advances of the Group were Saudi Riyals (SAR) 59,768 million (2020: SAR 56,829 million) against which an allowance for expected credit losses amounting to SAR 1,965 million (2020: SAR 1,755 million) was maintained. The determination of expected credit losses ("ECL") involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Group. Furthermore, the COVID-19 pandemic continues to pose challenges to business thus increasing the levels of judgment and uncertainty needed to determine the ECL. The key areas of judgment include: 1. Categorisation of loans and advances in Stage 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / default exposures. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the loans and advances ('Lifetime ECL'). The Group has applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the various government support programs that resulted in deferral of instalments to certain counterparties. These deferrals were not deemed to have triggered SICR by themselves.	We obtained and updated our understanding of management's process for the assessment of allowance for ECL against loans and advances as required by IFRS 9 "Financial Instruments", the Group's allowance for ECL policy and the ECL modelling methodology including any key changes made during the year. We compared the Group's allowance for ECL policy and ECL methodology with the requirements of IFRS 9. We evaluated the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over: • the ECL modelling process, including governance over the models, its validation during the year, including approval of key assumptions and post model adjustments; • the classification of loans and advances into Stages 1,2 and 3, timely identification of SICR and determination of default or individually impaired exposures; • the IT systems and applications supporting the ECL model; and • the integrity of data inputs into the ECL model. For a sample of customers, we assessed: • the internal ratings determined by the management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information, in particular with reference to the continued impacts of the COVID-19 pandemic, and also assessed that these were consistent with the ratings used as inputs in the ECL model; and • management's computation of ECL. • management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.

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

Key audit matter	How our audit addressed the key audit matter
2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to, assessment of the financial condition of the borrowers, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 3. The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors especially relating to ongoing COVID-19 pandemic, that might not have been captured by the ECL model. We considered this as a key audit matter as the application of these judgments and estimates, particularly in light of COVID-19 pandemic, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculation as of December 31, 2021. *Refer to the summary of significant accounting policies note 3(c)(vi) relating to impairment of financial assets, note 2(d)(i) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7 and note 32 which contains the disclosure of impairment against loans and advances, details of credit quality analysis and key assumptions and factors considered in the determination of ECL, and note 41 for the impact of COVID -19 on ECL.*	We assessed the appropriateness of the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio, with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferral of instalments under government support programs based on the SAMA regulation and eligible definition for the effected customers and industry as at 31 December 2021. We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios due to the COVID-19 pandemic. We tested the completeness and accuracy of data supporting the ECL calculation as at 31 December 2021. Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in post model overlays. We assessed the adequacy of related disclosures in the consolidated financial statements.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investments held as fair value through other comprehensive income (FVOCI) which are not traded in an active market	
Investments held as FVOCI comprise a portfolio of corporate bonds, Sukuks and equity instruments. These instruments are measured at fair value with the corresponding unrealized fair value changes recognised in other comprehensive income.	We evaluated the design and implementation and tested the operating effectiveness of key controls over management's processes for performing valuations of investments classified as FVOCI which are not traded in an active market.
While the majority of the fair values of the Group's investments were obtained directly from active markets as of December 31, 2021, the Group held an amount of SAR 1,542 million (2020: SAR 4,160 million) of unquoted investments. The fair value of these investments is determined through the application of valuation techniques, which often involve the exercise of judgment by management and the use of assumptions and estimates.	We reviewed the methodology and assessed the appropriateness of valuation models and inputs used by management to value the investments held as FVOCI through involving our valuation experts. We tested the valuation of a sample of FVOCI investments not traded in an active market. As part of these audit procedures, we assessed key inputs used in the valuation, such as comparable entity data and liquidity discounts, by benchmarking them with external data.
Estimation uncertainty exists for those investments not traded in an active market and where the internal modelling techniques use: • significant observable valuation inputs (i.e. level 2 investments); and • significant unobservable valuation inputs (i.e. level 3 investments).	We assessed the adequacy of related disclosures in the consolidated financial statements.
Estimation uncertainty is particularly high for level 3 investments. The business disruptions and economic impacts of COVID-19 pandemic have further raised the degree of estimation uncertainty involved in fair valuing unquoted investments.	
In the Group's accounting policies, management has described the key sources of estimation involved in determining the valuation of level 2 and level 3 investments, and in particular when the fair value is established using valuation techniques due to the complexity of investments or due to the lack of availability of market based data.	

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

Key audit matter	How our audit addressed the key audit matter
The valuation of the Group's investments held as FVOCI in level 2 and level 3 categories is considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgments and estimates made by the management. *Refer to the summary of significant accounting policies note 3(c)(ii), note 2(d)(ii) which explains critical judgments and estimates for fair value measurement and note 33 which explains the investment valuation methodology used by the Group.*	
Valuation of derivative financial instruments The Group has entered into various commission rate swaps, commission rate options, foreign exchange forward contracts and foreign exchange options which are over the counter ("OTC") derivatives. The valuation of these contracts is subjective, and is determined through the application of valuation techniques that involves the execrcise of judgment and the use of assumptions and estimates. These derivatives are held for trading purposes; however, certain commission rate swaps are categorized as fair value hedges in the consolidated financial statements. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in the case of hedge ineffectiveness, can also impact the hedge accounting. Due to the significance of the derivative financial instruments and related estimation and uncertainty, we have assessed the valuation of derivative financial insturments as a key audit matter. *Refer to the summary of significant accounting policies note 3(f) which explains derivative financial instruments and hedge accounting, note 2(d)(ii) which explains critical judgments and estimates for fair value measurement, note 11 which discloses the derivative positions and note 33 which explains the fair values of financial assets and liabilities.*	We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuations of derivatives. We selected a sample of derivatives and performed the following: • tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; • checked the accuracy and appropriateness of the key inputs to the valuation models; • involved our valuation experts to perform an independent valuation of the derivatives and compared the results with management's valuation; and • checked hedge effectiveness performed by the Group and the related hedge accounting. We assessed the adequacy of related disclosures in the consolidated financial statements.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of associated company put option	
The Group's derivatives as of December 31, 2021 includes a put option with a positive fair value of SAR 164 million (2020: SAR 337 million). This put option is embedded within the agreement ("the Agreement") with the other shareholder in an associated company, and gives the Group an option to sell its share in the associated company to the other shareholder based on a strike price determined in accordance with the Agreement. In accordance with the Group's accounting policy, this put option is segregated from the Agreement and is measured at its fair value. The Group uses an option pricing model to fair value the put option, which requires certain inputs which are not observable in the current market. These inputs include historical results of the associated company and other inputs which require management's judgment, including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. This is considered as a key audit matter as the valuation of this put option, as mentioned above, requires management to exercise significant judgment. *Refer to the following notes to the consolidated financial statements: summary of significant accounting policies note 3(f) which explains the accounting policy for derivative financial instruments and hedge accounting, note 2(d)(ii) which explains critical judgments and estimates for fair value measurement, note 11 which explains the put option positions and note 33 which explains the fair values of financial assets and liabilities.*	We assessed the design and implementation, and tested the operating effectiveness of controls over the valuation of the associate company put option. We inspected the Agreement to obtain an understanding of the principal terms of the put option. We considered the put option valuation performed by the management and assessed the methodology and key assumptions used by the management. We involved our valuation experts to assess the reasonableness of the valuation of the associated company put option determined by the management. We assessed the adequacy of related disclosures in the consolidated financial statements.

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

Other Information

Management is responsible for the other information in the Group's annual report. The other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance (i.e the Board of Directors of the Bank).

Responsibilities of the 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 as endorsed in KSA, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association, 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 are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain 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 with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank was not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended December 31, 2021.

for KPMG Professional Services

Hani Hamzah A. Bedairi
Certified Public Accountant
Registration No. 460

for Ernst & Young Professional Services

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

Rajab 13, 1443 H
February 14, 2022

The Saudi Investment Bank

Consolidated statement of financial position

As of December 31, 2021 and 2020

	Notes	2021 SAR ’000	2020 SAR ’000
ASSETS			
Cash and balances with SAMA	4a	5,901,679	8,323,490
Due from banks and other financial institutions, net	5a,33c	5,445,778	2,166,742
Investments	6a,33a	28,841,751	30,513,843
Positive fair values of derivatives, net	11c,33a	663,971	1,018,349
Loans and advances, net	7a,33c	57,803,114	55,073,894
Investments in associates	8b	883,700	845,744
Other real estate	32c	451,981	446,678
Property and equipment, net	9a	999,548	1,064,660
Information Technology intangible assets, net	9b	350,984	281,780
Other assets, net	10a	245,529	149,352
Total assets		**101,588,035**	**99,884,532**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions, net	12a,33c	21,792,608	20,073,084
Customers’ deposits	13a,33c	61,514,882	60,143,589
Negative fair values of derivatives, net	11c,33a	230,147	329,462
Term loans	14,33c	-	2,006,169
Other liabilities	15a	1,748,923	2,001,195
Total liabilities		**85,286,560**	**84,553,499**
Equity			
Share capital	16	7,500,000	7,500,000
Statutory reserve	17	2,999,000	5,233,000
Treasury shares	39	-	(1,041,067)
Other reserves	6e	562,063	792,043
Retained earnings		715,412	847,057
Proposed dividend	19	525,000	-
Proposed bonus shares issuance	19	2,500,000	-
Shareholders’ equity		14,801,475	13,331,033
Tier I Sukuk	38	1,500,000	2,000,000
Total equity		**16,301,475**	**15,331,033**
Total liabilities and equity		**101,588,035**	**99,884,532**

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

The Saudi Investment Bank

Consolidated statement of income

For the years ended December 31, 2021 and 2020

	Notes	2021 SAR '000	2020 SAR '000
Special commission income	21	2,812,644	3,261,976
Special commission expense	21	452,930	940,322
Net special commission income		2,359,714	2,321,654
Fee income from banking services, net	22	333,771	303,397
Exchange income, net		161,725	177,249
Dividend income	23	-	14
Unrealized fair value through profit and loss	33a	(182,991)	(81,871)
Realized fair value through profit and loss		6,867	3,542
Gains on disposals of FVOCI debt securities, net	24	74,106	104,476
Other income	8bi	14,520	17,672
Total operating income		**2,767,712**	**2,846,133**
Salaries and employee-related expenses	25a	687,382	672,036
Rent and premises related expenses		137,745	128,439
Depreciation and amortization	9	150,949	144,676
Other general and administrative expenses	40b	308,111	268,990
Operating expenses before provisions for credit and other losses		1,284,187	1,214,141
Provisions for credit and other losses	40a	271,066	449,413
Total operating expenses		**1,555,253**	**1,663,554**
Operating income		1,212,459	1,182,579
Share in earnings of associates	8b	54,808	45,928
Income before provisions for Zakat		1,267,267	1,228,507
Provisions for Zakat	27a	205,611	248,946
Net income		**1,061,656**	**979,561**
Basic and diluted earnings per share (expressed in SAR per share)	26b	1.34	1.25

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the years ended December 31, 2021 and 2020

	Notes	2021 SAR '000	2020 SAR '000
Net income		**1,061,656**	**979,561**
Other comprehensive income			
Items that cannot be reclassified to the consolidated statement of income in subsequent periods:			
Net change in fair value of equity investments held at fair value through other comprehensive income		(97,876)	113,711
Net change in present value of defined benefit obligations due to change in actuarial assumptions	37a	1,785	(6,394)
Items that can be reclassified to the consolidated statement of income in subsequent periods:			
Net change in fair value of debt securities held at fair value through other comprehensive income		(60,944)	461,677
Fair value gains transferred to the consolidated statement of income on disposals of FVOCI debt securities, net	24	(74,106)	(104,476)
Share in other comprehensive gain (loss) of associates	8b	1,161	(3,488)
Share in other comprehensive loss of associates transferred to the consolidated statement of income on the disposal of an associate	8bi	-	1,036
Total other comprehensive income (loss)		**(229,980)**	**462,066**
Total comprehensive income		**831,676**	**1,441,627**

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

The Saudi British Bank

Consolidated statement of changes in equity

For the years ended 31 December, 2021 and 2020

2021 (SAR '000)	Notes	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Proposed dividend	Proposed bonus shares issuances	Sharehold-ers' equity	Tier I Sukuk	Total equity
Balances at the beginning of the year		7,500,000	5,233,000	(1,041,067)	792,043	847,057			13,331,033	2,000,000	15,331,033
Net income		-	-	-	-	1,061,656			1,061,656	-	1,061,656
Total other comprehensive loss		-	-	-	(229,980)	-	-	-	(229,980)	-	(229,980)
Total comprehensive income		-	-	-	(229,980)	1,061,656	-	-	831,676	-	831,676
Dividends paid	18	-	-	-	-	(270,002)	-	-	(270,002)	-	(270,002)
Tier I Sukuk costs		-	-	-	-	(110,699)	-	-	(110,699)	-	(110,699)
Repayment of Tier I Sukuk	38	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Sale of treasury shares and related costs	39	-	-	1,041,067	-	(21,600)	-	-	1,019,467	-	1,019,467
Transfer to statutory reserve	17	-	266,000	-	-	(266,000)	-	-	-	-	-
Proposed bonus shares issuance	19	-	(2,500,000)	-	-	-	-	2,500,000	-	-	-
Proposed dividend	19	-	-	-	-	(525,000)	525,000	-	-	-	-
Balances at the end of the year		**7,500,000**	**2,999,000**	**-**	**562,063**	**715,412**	**525,000**	**2,500,000**	**14,801,475**	**1,500,000**	**16,301,475**

2020 (SAR'000)	Notes	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Shareholders' equity	Tier I Sukuk	Total equity
Balances at the beginning of the year		7,500,000	4,988,000	(1,041,067)	329,977	230,097	12,007,007	2,000,000	14,007,007
Net income		-	-	-	-	979,561	979,561	-	979,561
Total other comprehensive income		-	-	-	462,066	-	462,066	-	462,066
Total comprehensive income		-	-	-	462,066	979,561	1,441,627	-	1,441,627
Tier I Sukuk costs		-	-	-	-	(117,601)	(117,601)	-	(117,601)
Transfer to statutory reserve		-	245,000	-	-	(245,000)	-	-	-
Balances at the end of the year	**17**	**7,500,000**	**5,233,000**	**(1,041,067)**	**792,043**	**847,057**	**13,331,033**	**2,000,000**	**15,331,033**

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

The Saudi Investment Bank

Consolidated statement of cash flows

For the years ended December 31, 2021 and 2020

	Notes	2021 SAR '000	2020 SAR '000
OPERATING ACTIVITIES			
Net income		**1,061,656**	**979,561**
Adjustments to reconcile net income to net cash provided from operating activities			
Net accretion of discounts and net amortization of premiums on investments, net		20,644	25,570
Net change in accrued special commission income		57,440	276,887
Net change in accrued special commission expense		81,153	(186,241)
Net change in deferred loan fees		7,287	(38,677)
Gains on disposals of FVOCI debt securities, net	24	(74,106)	(104,476)
Unrealized fair value through profit and loss		182,991	81,871
Realized fair value through profit and loss		(6,867)	(3,542)
Depreciation and amortization	9	150,949	144,676
Gain on sales of other real estate, property and equipment		(14,520)	(7)
Gain on sale of an ownership interest in an associate	8bi	-	(19,460)
Net effect of Commission free deposits from SAMA and SAMA Private Sector Financing Support Program		(120,292)	(112,930)
Provisions for credit and other losses	40a	271,066	449,413
Share in earnings of associates	8b	(54,808)	(45,928)
		1,562,593	**1,446,717**
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(121,906)	212,677
Due from banks and other financial institutions maturing after three months from acquisition date		(249)	(1,027,968)
Loans and advances		(3,054,129)	2,339,336
Positive fair values of derivatives, net		352,271	301,549
Other real estate		(36,803)	11,008
Other assets		(28,563)	7,590
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions, net		1,716,701	6,616,806
Customers' deposits		1,404,787	(8,780,757)
Negative fair values of derivatives, net		(97,016)	(30,868)
Other liabilities		114,797	692,615
		1,812,483	**1,788,705**
Zakat payments		(378,103)	(231,668)
Net cash provided from operating activities		**1,434,380**	**1,557,037**
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments		7,367,111	4,932,104
Purchases of investments		(6,036,013)	(8,824,344)
Dividends received from associates	8b	18,013	79,397
Proceeds from sale of an ownership interest in an associate		-	133,129
Acquisitions of property, equipment, and intangibles		(181,790)	(106,092)
Proceeds from sales of property, equipment, and intangibles		33	-
Net cash provided from (used in) investing activities		**1,167,354**	**(3,785,806)**
FINANCING ACTIVITIES			
Treasury shares sold, net	39	1,019,467	-
Repayment of Tier I Sukuk	38	(500,000)	-
Dividends paid	18	(270,002)	-
Repayment of Term loan		(2,000,000)	-
Tier I Sukuk costs		(110,699)	(117,601)
Net cash used in financing activities		**(1,861,234)**	**(117,601)**
Net increase (decrease) in cash and cash equivalents		**740,500**	**(2,346,370)**
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	4b	7,266,784	9,613,154
Net increase (decrease) in cash and cash equivalents		740,500	(2,346,370)
Cash and cash equivalents at the end of the year	4b	**8,007,284**	**7,266,784**
Supplemental special commission information			
Special commission received		2,870,084	3,538,863
Special commission paid		494,313	1,128,563
Supplemental non-cash information			
Total other comprehensive income (loss)		(229,980)	462,066

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia ("KSA"). The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 51 branches (2020: 52 branches) in KSA. The address of the Bank's Head Office is as follows:

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

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

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

a. "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a Saudi closed joint stock company, which is registered in KSA under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory and custody services relating to financial securities;
b. "Saudi Investment Real Estate Company", a limited liability company, which is registered in KSA under commercial registration No. 1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions;
c. "Saudi Investment First Company", a limited liability company, which was registered in KSA under commercial registration No. 1010427836 issued on 16 Muharram 1436H (corresponding to November 9, 2014), and was owned 100% by the Bank. During 2020, the Company completed the formalities for deregistration with regulatory authorities and was liquidated;
d. "SAIB Markets Limited Company", a Cayman Islands limited liability company, registered in the Cayman Islands on July 18, 2017, and is 100% owned by the Bank. The objective of the Company is to conduct derivatives and repurchase activities on behalf of the Bank.

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

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements as of and for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"); and are in compliance with the provisions of the Banking Control Law, the Regulations for Companies in KSA, and By-Laws of the Bank.

2. Basis of preparation - continued

b) Basis of measurement and presentation

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

- Derivatives are measured at fair value;
- Financial instruments designated as Fair Value through Profit or Loss ("FVTPL") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged;
- 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.

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

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a third wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns, strict social distancing rules and vaccination. The Government of KSA ("the Government") however, has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

The Group continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Group has made various accounting estimates in these consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as of December 31, 2021 about future events that the Group believes are reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to impairment losses on financial assets, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements.

2. Basis of preparation - continued

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

i) Impairment losses on financial assets

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

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

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

ii) Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each consolidated statement of financial position date, except as disclosed in note 33c.

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

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

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

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

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

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

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

2. Basis of preparation - continued

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

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

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

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

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

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

iii) Determination of control over investees

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

iv) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on the going concern basis.

v) Determination of lease terms

In determining the lease terms for the purposes of calculation of lease liabilities and Right of Use ("ROU") leased assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended or not terminated.

The Group also reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

vi) Depreciation and amortization

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

2. Basis of preparation - continued

vii) Provisions for liabilities and charges
The Group receives legal claims against it in the normal course of business. Management makes judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

viii) Employee benefit plans
The Group operates an end of service benefit plan for its employees based on prevailing Saudi Labor laws. Accruals are made in accordance with actuarial valuations using a projected unit credit method while the benefit payments are discharged as and when the benefit payments are due.

3. Summary of significant accounting policies
The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Changes in accounting policies
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2020 except for the below standards, interpretations, and amendments that became applicable for annual reporting periods beginning on or after January 1, 2021:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond June 30, 2021: Amendments to IFRS 16
On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID -19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID -19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021. On March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022 as the impact of the COVID-19 pandemic is continuing. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID -19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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

3. Summary of significant accounting policies - continued

b) Basis of consolidation

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

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control summarized above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group obtains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All Intra-group balances and any income and expenses arising from intra-group transactions, are eliminated in

3. Summary of significant accounting policies - continued

preparing these consolidated financial statements.

c) Financial assets and financial liabilities

i) Recognition and Initial measurement

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

ii) Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL.

Financial Assets at amortized cost

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

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

Financial Assets at FVOCI

Debt Instruments

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

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

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

Equity Investments

On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Reclassification

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

3. Summary of significant accounting policies - continued

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets, or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

Assessments whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is the fair value of the financial asset on initial recognition. "Special commission" is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with a profit margin.

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

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

iii) Classification of financial liabilities
The Group classifies its financial liabilities at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the expected special commission rate.

3. Summary of significant accounting policies - continued

iv) Derecognition

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

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

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

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

In certain transactions, the Group may retain the obligation to service a transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. However, an asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group may securitize various loans and advances to customers or investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in the consolidated statement of income.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated at FVOCI is not recognized in the consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognized in OCI in respect of such equity investment securities are transferred to retained earnings on disposal. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

v) Modifications of financial assets and financial liabilities
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

3. Summary of significant accounting policies - continued

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as an adjustment to special commission income.

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

vi) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Due from banks and other financial institutions;
- Financial assets that are debt securities;
- Loans and advances, including lease receivables;
- Loan commitments issued;
- Financial guarantee contracts issued; and
- Other financial assets.

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured equal to a 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition. See note 32h.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

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

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

3. Summary of significant accounting policies - continued

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

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

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

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail consumer loan that is overdue for 90 days or more is considered impaired.

In making an assessment as to whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in bond yields;
- Rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Summary of significant accounting policies - continued

Presentation of the allowance for ECL in the consolidated statement of financial position
Allowances for credit losses are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as an allowance in other liabilities;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as an allowance in other liabilities; and
- For debt securities measured at FVOCI, no loss allowance is recognized against financial assets because the carrying amount of these assets is considered fair value. However, the loss allowance is disclosed and is included in OCI.

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

viii) Offsetting financial instruments
Financial assets and liabilities are offset and are reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts, when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

ix) Financial guarantees and loan commitments
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees, and acceptances.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments, the Group recognizes loss allowances.

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

d) Investments in associates
Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Bank has significant influence (but not control) over financial and operating matters and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Share in earnings of associates includes the changes in the Group's share of the net assets of the associates. The Group's share of its associates post-acquisition income or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in other comprehensive income

3. Summary of significant accounting policies - continued

is recognized in OCI included in shareholders' equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Unrealized gains and losses on transactions between the Bank and its associates to the extend of the Group's interest in the associates.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in shareholders' equity. Unrealized gains on transactions are eliminated to the extent of the Group's interest in the investees. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of earnings in an associate is shown on the face of the consolidated statement of income, which represents the net earnings attributable to equity holders of an associate and therefore income after Zakat and Income tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on an investment in an associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share in earnings of associates in the consolidated statement of income.

When the ownership interest in an associate is reduced but significant influence is retained, the difference between the carrying amount of associate and the consideration received is recognized in the consolidated statement of income. Proportionate share of the amounts previously recognized in other comprehensive income are reclassified to consolidated statement of income, where appropriate upon reduction of ownership interest in an associate.

e) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date the asset is delivered to the counterparty. When settlement date accounting is applied, the Bank accounts for any change in the fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

f) Derivative financial instruments and hedge accounting

As permitted by IFRS 9 – Financial Instruments, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 – Financial Instruments: Recognition and Measurement.

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

The treatment of changes in their fair value depends on their classification into the following categories:

3. Summary of significant accounting policies - continued

i) Derivatives held for trading
Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

ii) Embedded derivatives
Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separate embedded derivatives are measured at fair value, with all changes in fair value recognized in the consolidated statement of income unless they form part of qualifying cash flow or net investment hedging relationship in which case all changes in fair value are recognized in the consolidated statement of comprehensive income.

iii) Hedge accounting
The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rates, foreign currency, and credit risks, including exposures arising from highly probable forecasted transactions and firm commitments. In order to manage a particular risk, the Bank applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories:

a. fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability, (or assets or liabilities in the case of portfolio hedging), or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and
b. cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged risk, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of the risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge.

At each hedge effectiveness assessment / reporting date, each hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness if significant is recognized in the consolidated statement of income. For situations where the hedged item is a forecasted transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

3. Summary of significant accounting policies - continued

Fair value hedges
When a derivative is designated as a hedging instrument in the hedge of a change in fair value of a recognized asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognized immediately in the consolidated statement of income together with the change in the fair value of the attributable hedged risk in special commission income.

For hedged items measured at amortized cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

Cash flow hedges
When a derivative is designated and qualified as a hedging instrument in the hedge of a variability of cash flows attributable to a particular risk associated with a recognized asset or a liability or a highly probable forecasted transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in OCI and the ineffective portion, if any, is recognized in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in OCI, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it reclassifies into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognized, the associated gains or losses that had previously been recognized directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

When the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the transaction is no longer expected to occur or the Group revokes the designation, then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other comprehensive income from the period when the hedge was effective is transferred from shareholders' equity to the consolidated statement of income when the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss previously recognized in other comprehensive income is transferred immediately to the consolidated statement of income.

g) Foreign currencies

Transactions in foreign currencies are translated into SAR at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at the exchange rates prevailing at the consolidated statement of financial position date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for effective interest rates and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. All differences arising on non-trading activities are taken to other non operating income in the consolidated statement of income, with the exception of differences of foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income except for differences arising on the retranslation of equity instruments or when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges to the extent hedges are effective. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment on investment securities available for sale, unless the non-monetary items have an effective hedging strategy.

3. Summary of significant accounting policies - continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

h) Government grants

Grants received from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. The benefit of a SAMA deposit at a below-market commission rate is treated as a government grant related to income. Below-market rate deposits are recognized and measured in accordance with IFRS 9 – Financial Instruments and included in due to banks and other financial institutions.

The benefit of the below-market rate of commission is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received and is presented as a discount to deposits from SAMA.

The benefit is accounted for in accordance with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. The grant income is only recognized when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts. Government grant income is recognized in special commission income on a systematic basis to the extent of related costs for which the grant is intended to compensate, with the remaining discount deferred and included in other liabilities.

i) Share capital

Ordinary shares are classified as Shareholders' equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Group purchases own equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Shareholders of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Shareholders of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from Shareholders' equity.

j) Revenue / expense recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

i) Special commission income and expense

Special commission income and expense for all special commission earning / bearing financial instruments are recognized in the consolidated statement of income on the effective special commission rate basis. The effective special commission rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective special commission rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of a financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective special commission rate and the change in carrying amount is recorded as special commission income or expense.

If the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognized on the effective special commission rate basis, based on the asset's carrying value net of impairment provisions.

3. Summary of significant accounting policies - continued

The calculation of the effective special commission rate considers all contractual terms of the financial instruments (prepayment, options etc.) and includes all fees paid or transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Measurement of amortized cost and special commission income
The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective special commission rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, special commission income is calculated by applying the credit-adjusted effective special commission rate to the amortized cost of the asset. The calculation of special commission income does not revert to a gross basis, even if the credit risk of the asset improves.

Rendering of services
The Group provides various services to its customers. These services are either rendered separately or bundled together with the rendering of other services.

Revenue from rendering of services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, are recognized at the point when services are rendered i.e. when performance obligation is satisfied.

ii) Exchange income / loss
Exchange income / loss is recognized when earned / incurred and in accordance with the principles included in note 3g.

iii) Fee income from banking services
Fees that are considered an integral to the effective special commission rate are deferred and included in the measurement of the relevant assets.

Fees from banking services that are not an integral component of the effective special commission rate calculation on a financial asset or liability are generally recognized on an accrual basis when the related service is provided.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis.

Fees received on asset management, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided.

Performance linked fees or fee components are recognized when the performance criteria is fulfilled.

3. Summary of significant accounting policies - continued

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred, together with the investment costs, and recognized as an adjustment to the effective special commission rate on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, and are recognized as expenses as the services are received or the transaction is completed.

iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

v) Day 1 profit or loss

Where a transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

vi) Customer loyalty programs

The Group offers customer loyalty programs referred to as reward points, which allows customers to earn points that can be redeemed through certain partner outlets. The Group allocates a portion of the transaction price to the reward points awarded to members, based on estimates of costs of future redemptions. The amount of expense allocated to reward points is charged to the consolidated statement of income with a corresponding liability recognized in other liabilities. The cumulative amount of the liability related to unredeemed reward points is adjusted over time based on actual redemption experience and current and expected trends with respect to future redemptions.

k) Repurchase agreements and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repurchase agreements) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership, and are measured in accordance with related accounting policies for investments. The transactions are treated as a collateralized borrowing and the counter party liability for amounts received under these agreements is included in due to banks and other financial institutions, as appropriate. The difference between the sale and repurchase price is treated as special commission expense and recognized over the life of the repurchase agreement on an effective yield basis.

Underlying assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the underlying assets. Amounts paid under these agreements are included in cash and balances with SAMA. The difference between the purchase and resale price is treated as special commission income and recognized over the life of the reverse repurchase agreement on an effective yield basis.

l) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that non-financial assets may be impaired. If any indication exists, or when periodic impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining an asset's fair value less costs to sell, an appropriate valuation model is used. These model calculations are corroborated by valuation multiples, or other available fair value indicators.

3. Summary of significant accounting policies - continued

m) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate is considered as held for sale and is initially stated at the lower of net realizable value of the loans and advances and the current fair value of the related properties, less any costs to sell, if material. No depreciation is charged on such real estate.

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

n) Property, equipment, and Information technology intangible assets

Property, equipment, and Information technology intangible assets are stated at cost and presented net of accumulated depreciation and amortization. Land is not depreciated. The costs of other property, equipment, and Information technology intangible assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 30 years
Leasehold improvements	Over the lease period or 5 years, whichever is shorter
Furniture, equipment and vehicles	4 to 5 years
Information technology intangible assets	8 years

The assets' residual values, useful lives, and depreciation or amortization methods are reviewed and adjusted, if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

Other expenditures are capitalized only when it is probable that the future economic benefit of the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed when incurred.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

o) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Right-of-Use (ROU) leased assets

The Group recognizes an ROU leased asset and a lease liability at the lease commencement date. The ROU leased asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. Summary of significant accounting policies - continued

The ROU leased asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of ROU leased asset or the end of the lease term. The estimated useful lives of ROU leased assets are determined on the same basis as those of property and equipment. In addition, the ROU leased asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is measured at amortized cost using the effective special commission rate method increasing the carrying amount to reflect special commission on the lease liability and reducing the carrying amount to reflect the lease payments made including prepayments.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in consolidated statement of income if the carrying amount of ROU asset has been reduced to zero.

The Group presents ROU leased assets in 'Property and equipment' and lease liabilities in 'Other liabilities' in the consolidated statement of financial position.

Leases of low-value assets
The Group has elected not to recognize ROU leased assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

p) Provisions

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

3. Summary of significant accounting policies - continued

q)Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash and balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition which are also subject to insignificant risk of changes in their fair value.

r) Zakat, Income tax, and Value Added tax

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provisions for Zakat are charged to the consolidated statement of income.

Management periodically evaluates positions taken in Zakat returns with respect to situations in which applicable Zakat regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the ZATCA. Adjustments arising from final assessments are recorded in the period in which such assessments are made.

Since Zakat is not accounted for similar to Income tax, no deferred Zakat is calculated.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 addresses the accounting for Income tax when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether uncertain tax treatments are considered separately;
- The assumptions about the examination of tax treatments by taxation authorities;
- How taxable profit, tax bases, unused tax losses, unused tax credits and tax rates are determined; and
- How changes in facts and circumstances are considered.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed.

The Group applies judgement in identifying uncertainties over Income tax treatments. Upon adoption of the Interpretation, the Group has considered whether it has any uncertain tax positions including transfer pricing. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the ZATCA. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Value Added tax ("VAT")

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

s) Short-term employees' benefits and Employee end of service benefit plan

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

The Group operates an end of service benefit plan for its employees based on prevailing Saudi Labor laws. Accruals are made in accordance with actuarial valuations using a projected unit credit method while the benefit payments are discharged as and when the benefit payments are due.

3. Summary of significant accounting policies - continued

t) Asset management services

The Group offers asset management services to its customers, which include management of investment funds in consultation with professional investment advisors. The Group's share of these funds is included in investments and fees earned are included in fee income from banking services, net. The Group's share of investment in these funds is included in the FVTPL investments.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

u) Non-interest based banking products

In addition to conventional banking, the Group offers to its customers certain non-interest based banking products, which are approved by its Shariah Board.

High level definitions of non-interest based products include:

i. Murabaha - an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.
ii. Tawaruq – a form of Murabaha transaction where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.
iii. Istisna'a – an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.
iv. Ijarah – an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

All non-special interest based banking products are accounted for in conformity with the accounting policies described in these consolidated financial statements.

4. Cash and balances with SAMA and cash and cash equivalents

a) Cash and balances with SAMA as of December 31, 2021 and 2020 are summarized as follows:

	2021 SAR '000	2020 SAR '000
Cash on hand	754,291	704,645
Reverse repurchase agreements	2,290,000	4,610,000
Other balances, net	(491,067)	(217,704)
Cash and balances before statutory deposit (note 4b)	2,553,224	5,096,941
Statutory deposit	3,348,455	3,226,549
Cash and balances with SAMA	5,901,679	8,323,490

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its average demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank's day to day operations and therefore does not form a part of cash and cash equivalents.

4. Cash and balances with SAMA and cash and cash equivalents - continued

b) Cash and cash equivalents included in the consolidated statement of cash flows as of December 31, 2021 and 2020 are comprised of the following:

	2021 SAR '000	2020 SAR '000
Cash and balances with SAMA excluding statutory deposit (note 4a)	2,553,224	5,096,941
Due from banks and other financial institutions maturing within three months from the date of acquisition	5,454,060	2,169,843
Cash and cash equivalents	**8,007,284**	**7,266,784**

5. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions, net as of December 31, 2021 and 2020 are summarized as follows:

	2021 SAR '000	2020 SAR '000
Current accounts	2,360,185	1,669,843
Money market placements	3,094,225	500,101
Total due from banks and other financial institutions	5,454,410	2,169,944
Allowance for credit losses	(8,632)	(3,202)
Due from banks and other financial institutions, net	**5,445,778**	**2,166,742**

The credit quality of due from banks and other financial institutions is managed using data from reputable external credit ratings agencies. The average S&P rating for the portfolio is an investment grade of "BBB" for 2021 (2020: "BBB").

b) The movement of the allowance for credit losses for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balances at the beginning of the year	3,202	2,088
Provision for credit losses	5,430	1,114
Balances at the end of the year	**8,632**	**3,202**

6. Investments

a) Investments as of December 31, 2021 and 2020 are summarized as follows:

		2021 SAR '000			2020 SAR '000	
	Domestic	International	Total	Domestic	International	Total
Fixed rate debt securities	**20,115,515**	**7,205,367**	**27,320,882**	**20,587,370**	**7,028,923**	**27,616,293**
Bonds	7,826,294	6,191,599	14,017,893	11,844,108	5,783,560	17,627,668
Sukuk	12,289,221	1,013,768	13,302,989	8,743,262	1,245,363	9,988,625
Floating rate debt securities	**848,631**	**173,559**	**1,022,190**	**852,878**	**1,490,738**	**2,343,616**
Bonds	-	173,559	173,559	-	1,490,738	1,490,738
Sukuk	848,631	-	848,631	852,878	-	852,878
Total debt securities	**20,964,146**	**7,378,926**	**28,343,072**	**21,440,248**	**8,519,661**	**29,959,909**
Equities	347,384	8,639	356,023	365,187	8,632	373,819
Mutual funds	128,474	-	128,474	144,212	-	144,212
Other securities	-	14,182	14,182	-	35,903	35,903
Investments	**21,440,004**	**7,401,747**	**28,841,751**	**21,949,647**	**8,564,196**	**30,513,843**

Debt securities and equities aggregating to SAR 28.7 billion (2020: SAR 30.3 billion) are classified as FVOCI, and mutual funds and other securities aggregating to SAR 142.6 million (2020: SAR 180.1 million) are classified as FVTPL.

The Group's investments in equities include SAR 8.6 million as of December 31, 2021 (2020: SAR 8.6 million) which the Bank acquired in prior years in connection with the settlement of certain loans and advances.

The Group also holds strategic investments in equities totaling SAR 347.3 million as of December 31, 2021 (2020: SAR 365.1 million) including the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, SIMAH (the Saudi Credit Bureau), and the Saudi Company for Registration of Finance Lease Contracts.

Fixed rate bonds included investments in SAMA treasury bills totaling SAR 1.6 billion as of December 31, 2020. These were valued through quoted prices in an active market.

6. Investments - continued

b) The composition of investments as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000			2020 SAR '000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate debt securities	**26,640,784**	**680,098**	**27,320,882**	**24,769,806**	**2,846,487**	**27,616,293**
Bonds	14,017,893	-	14,017,893	15,044,628	2,583,040	17,627,668
Sukuk	12,622,891	680,098	13,302,989	9,725,178	263,447	9,988,625
Floating rate debt securities	**173,559**	**848,631**	**1,022,190**	**1,043,425**	**1,300,191**	**2,343,616**
Bonds	173,559	-	173,559	1,043,425	447,313	1,490,738
Sukuk	-	848,631	848,631	-	852,878	852,878
Total debt securities	**26,814,343**	**1,528,729**	**28,343,072**	**25,813,231**	**4,146,678**	**29,959,909**
Equities	342,741	13,282	356,023	360,544	13,275	373,819
Mutual funds	117,776	10,698	128,474	132,949	11,263	144,212
Other securities	-	14,182	14,182	-	35,903	35,903
Investments	**27,274,860**	**1,566,891**	**28,841,751**	**26,306,724**	**4,207,119**	**30,513,843**

The unquoted debt securities above are principally comprised of Saudi corporate securities and Saudi Government Development Bonds. Equities reported under FVOCI investments include unquoted shares of SAR 13.3 million (2020: SAR 13.3 million) that are carried at cost, as their fair value cannot be reliably measured. Mutual funds are considered as quoted in the table above when the daily net asset values are published on the Saudi Stock Exchange (Tadawul).

The Group's investments in mutual funds represent investments in shariah compliant open ended investment funds for investors seeking capital appreciation and high liquidity through exposure to Shariah compliant Saudi equities and financial products. The Group has also invested in private real estate funds with the investment objective of delivering medium-term capital appreciation through development of premium residential apartments.

Investments include SAR 14.0 billion (2020: SAR 13.5 billion) in debt securities, which have been pledged under repurchase agreements with other financial institutions. Pledged assets are those financial assets that may be repledged or resold by counterparties to whom they have been transferred. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities, as well as requirements determined by exchanges on which the Bank acts as a participant. See note 12b.

c) Investments are classified by counterparty as of December 31, 2021 and 2020 as follows:

	2021 SAR '000	2020 SAR '000
Government and quasi-government	19,229,960	20,810,417
Corporate	5,469,723	5,373,207
Banks and other financial institutions	4,142,068	4,330,219
Total	**28,841,751**	**30,513,843**

6. Investments - continued

d) The movement of the allowance for credit losses included in other reserves for the years ended December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Balances at the beginning of the year	31,385	29,659
Provision for credit losses	(5,200)	1,726
Balances at the end of the year (note 6e)	**26,185**	**31,385**

e) Other reserves classified in shareholders' equity as of December 31, 2021 and 2020 are comprised of the following:

	2021 SAR '000	2020 SAR '000
Unrealized gains on revaluation of debt securities at FVOCI before allowance for credit losses	584,548	714,398
Allowance for credit losses on debt securities at FVOCI (note 6d)	26,185	31,385
Unrealized gains on revaluation of debt securities at FVOCI after allowance for credit losses	610,733	745,783
Unrealized gains (losses) on revaluation of equities held at FVOCI	(21,821)	76,055
Actuarial losses on defined benefit obligation	(25,298)	(27,083)
Share of other comprehensive loss of associates	(1,551)	(2,712)
Other reserves	**562,063**	**792,043**

7. Loans and advances, net

a) Loans and advances, net held at amortized cost as of December 31, 2021 and 2020 are comprised of the following:

	2021 SAR '000			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	38,886,738	4,047,107	9,937,011	52,870,856
Stage 2	3,509,715	615,326	80,328	4,205,369
Stage 3	802,420	780,660	445	1,583,525
Total performing loans and advances	43,198,873	5,443,093	10,017,784	58,659,750
Non performing loans and advances	29,442	968,019	111,136	1,108,597
Total loans and advances	43,228,315	6,411,112	10,128,920	59,768,347
Allowance for credit losses	(817,126)	(999,669)	(148,438)	(1,965,233)
Loans and advances, net	**42,411,189**	**5,411,443**	**9,980,482**	**57,803,114**

7. Loans and advances, net - continued

	2020 SAR '000			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	36,798,982	2,326,428	11,067,275	50,192,685
Stage 2	3,573,207	455,642	149,756	4,178,605
Stage 3	801,157	497,313	449	1,298,919
Total performing loans and advances	41,173,346	3,279,383	11,217,480	55,670,209
Non performing loans and advances	36,867	985,294	136,948	1,159,109
Total loans and advances	41,210,213	4,264,677	11,354,428	56,829,318
Allowance for credit losses	(821,336)	(673,862)	(260,226)	(1,755,424)
Loans and advances, net	**40,388,877**	**3,590,815**	**11,094,202**	**55,073,894**

b) Total loans and advances are comprised of the following:

	2021 SAR '000	2020 SAR '000
Conventional loans and advances	17,830,594	15,669,425
Non-Interest based loans and advances:	41,937,753	41,159,893
Murabaha, including Tawarruq	41,839,485	41,036,926
Ijarah	98,268	122,967
Total loans and advances	**59,768,347**	**56,829,318**

c) The movement of the allowance for credit losses for the years ended December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Balances at the beginning of the year	1,755,424	2,405,585
Provision for credit losses (i)	254,432	453,527
Write-offs, net	(44,623)	(1,103,688)
Balances at the end of the year	**1,965,233**	**1,755,424**

i. Owing to the prevailing economic conditions, the Group has recognized additional ECL provisions of SAR 225.3 million as of December 31, 2021 (2020: SAR 198.6 million) for its loans and advances portfolio as a result of post-model overlays. Refer to note 41 for details.

7. Loans and advances, net - continued

d) The credit quality of loans and advances as of December 31, 2021 and 2020 is summarized as follows:

(i) Neither past due nor credit impaired loans and advances, are as follows:

	2021 SAR '000	2020 SAR '000
Grade 1 - Exceptional	1,371,402	1,086,222
Grade 2 - Excellent	7,589,854	4,188,163
Grade 3 - Strong	10,714,586	10,087,076
Grade 4 - Good	9,761,600	9,077,884
Grade 5 - Acceptable	13,942,253	13,425,649
Grade 6 - Marginal	782,524	1,169,456
Grade 7 – Special Mention	501,848	1,149,697
Unrated	9,444,354	10,686,729
Total	**54,108,421**	**50,870,876**

The above table includes neither past due nor credit impaired loans and advances classified as Stage 2 amounting to SAR 3.0 billion (2020: SAR 3.1 billion). These loans are classified as Stage 2 as they exhibit a significant increase in credit risk due to their categorization as restructured, relative downgrade in risk ratings, watchlist and cross facility defaults. It also includes Stage 2 exposures which are yet to complete curing period to be eligible to be upgraded to Stage 1.

The ratings of the loans and advances included above are described as follows:

Exceptional – leader in highly stable industry. Superior financial fundamentals and substantial cash flows. Has ready access to financial markets.

Excellent - leader in a stable industry. Better than peers' financials and cash flows. Has access to financial markets under normal market conditions.

Strong - strong market and financial position with a history of successful performance but certain exceptions exist. Financial fundamentals are still better than industry benchmarks. The entity would have access to financial markets under normal market conditions.

Good - moderate degree of stability with industry or company specific risk factors. Financial fundamentals are sound and within industry benchmarks. Access to financial markets is limited and the entity is susceptible to cyclical changes.

Acceptable - minor weaknesses in industry or company specific risk factors. Some financial fundamentals are inferior to industry benchmarks. Alternative financing could be available but this might be limited to private and institutional sources only.

Marginal - unfavorable industry or company specific risk factors exist. Operating performance and financials are marginal. Alternative sources of finance are unlikely. No new business can be contemplated with this category.

Special Mention - unfavorable industry or company specific risk factors exist. Risk of non-payment is high. Financial fundamentals are well below industry benchmarks and alternative sources of finance are extremely limited.

Unrated – unrated loans and advances primarily consist of consumer and other retail loans with no past due balances.

7. Loans and advances, net - continued

(ii) Past due but not credit impaired loans and advances as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000		
	Commercial, overdrafts and others	Consumer	Total
From 1 day to 30 days	1,800,879	492,657	2,293,536
From 31 days to 90 days	593,940	80,328	674,268
Total	**2,394,819**	**572,985**	**2,967,804**

	2020 SAR '000		
	Commercial, overdrafts and others	Consumer	Total
From 1 day to 30 days	2,351,578	380,546	2,732,124
From 31 days to 90 days	618,534	149,756	768,290
Total	**2,970,112**	**530,302**	**3,500,414**

e) The economic sector risk concentrations as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000					
	Performing					
	Stage 1	Stage 2	Stage 3	Non-performing	Allowance for credit losses	Loans and advances, net
Government and quasi-government	563,604	-	-	-	(6,208)	557,396
Banks and other financing entities	8,510,926	43,968	98,993	10,446	(119,369)	8,544,964
Agriculture and fishing	277,534	10,225	-	-	(1,246)	286,513
Manufacturing	2,250,780	317,381	203,806	161,554	(255,379)	2,678,142
Building and construction	5,440,355	1,511,493	203,147	40,821	(269,336)	6,926,480
Commerce	10,338,241	1,024,208	247,207	763,040	(657,623)	11,715,073
Transportation and communication	747,088	-	11,669	3,899	(24,159)	738,497
Services	2,154,303	205,842	42,519	12,910	(49,932)	2,365,642
Consumer loans	9,937,011	80,328	445	111,136	(148,438)	9,980,482
Other	12,651,014	1,011,924	775,739	4,791	(433,543)	14,009,925
Total	**52,870,856**	**4,205,369**	**1,583,525**	**1,108,597**	**(1,965,233)**	**57,803,114**

7. Loans and advances, net - continued

	2020 SAR '000					
	Performing					
	Stage 1	Stage 2	Stage 3	Non-performing	Allowance for credit losses	Loans and advances, net
Government and quasi-government	727,146	-	-	-	(8,598)	718,548
Banks and other financing entities	8,431,796	105,754	31,120	4,790	(111,379)	8,462,081
Agriculture and fishing	179,387	4,586	-	-	(2,704)	181,269
Manufacturing	2,143,887	387,252	112,243	167,683	(250,417)	2,560,648
Building and construction	5,469,775	1,190,504	204,786	38,622	(216,537)	6,687,150
Commerce	9,222,922	1,053,052	135,914	770,991	(581,356)	10,601,523
Transportation and communication	1,080,499	-	10,029	3,899	(27,711)	1,066,716
Services	2,207,306	29,797	21,025	13,158	(53,149)	2,218,137
Consumer loans	11,067,275	149,756	449	136,948	(260,226)	11,094,202
Other	9,662,692	1,257,904	783,353	23,018	(243,347)	11,483,620
Total	**50,192,685**	**4,178,605**	**1,298,919**	**1,159,109**	**(1,755,424)**	**55,073,894**

8. Investments in associates

a) Investments in associates as of December 31, 2021 and 2020 include the Bank's ownership interest in associated companies in KSA, as follows:

	2021 SAR '000	2020 SAR '000
American Express (Saudi Arabia) ("AMEX")	50.00%	50.00%
YANAL Finance ("YANAL") (formerly 'Saudi ORIX Leasing Company')	38.00%	38.00%
Amlak International for Real Estate Finance Company ("AMLAK")	22.41%	22.41%

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

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

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

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

8. Investments in associates - continued

b) The movement of investments in associates for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balance at beginning of the year	845,744	994,298
Share of earnings	54,808	45,928
Dividends	(18,013)	(79,397)
Share of other comprehensive income (loss)	1,161	(2,452)
Disposals (i)	-	(112,633)
Balance at end of the year	**883,700**	**845,744**

i. During the year ended December 31, 2020, the Group sold 30% of its shares in AMLAK as part of AMLAK's Initial Public Offering. The carrying value of the investment sold amounted to SAR 112.6 million. Consideration received was SAR 133.1 million. The gain from the sale amounted to SAR 19.4 million, net of other comprehensive loss amounting to SAR 1.03 million.

The retained interest in AMLAK continues to be classified as an associate as the Group continues to retain significant influence over financial and operating matters of the associated company. The fair value of the investment in AMLAK as of December 31, 2021 amounts to SAR 429.5 million (2020: SAR 444.5 million).

ii. The Group owns a 50% equity interest in AMEX. The management has assessed the investment in AMEX in accordance with the requirements of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IAS 28 'Investments in Associates and Joint Ventures' for control, joint control, and significant influence respectively. The Group has concluded it does not control or jointly control AMEX primarily due to a put option with the Bank and call option with the counterparty that is exercisable for the remaining term of the agreement.

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

c) The following table summarizes the associates' assets, liabilities, and equity as of December 31, 2021 and 2020, and income and expense for the years then ended:

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

	2020 SAR '000		
	AMEX	YANAL	AMLAK
Total assets	683,888	1,452,697	3,761,010
Total liabilities	359,446	606,133	2,610,881
Total equity	324,442	846,564	1,150,129
Total income	259,804	99,113	173,316
Total expenses	242,948	75,309	95,126

8. Investments in associates - continued

d) The following table reconciles the summarized financial information to the carrying amount of the Bank's investments in associates as of December 31, 2021 and 2020:

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

	2020 SAR '000			
	AMEX	**YANAL**	**AMLAK**	**Total**
Net assets	324,442	846,564	1,150,129	
Group's share of net assets	162,221	321,694	257,744	741,659
Goodwill	94,210	9,875	-	104,085
Carrying amount of interest	**256,431**	**331,569**	**257,744**	**845,744**

9. Property and equipment, net and Information Technology intangible assets, net

a) Property and equipment, net as of December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000				
	Land and buildings	**Leasehold improvements**	**Furniture, equipment and vehicles**	**Projects pending completion**	**Total**
Cost					
Balance at the beginning of the year	1,330,390	179,600	494,663	208	2,004,861
Additions (i)	15,906	1,234	16,945	779	34,864
Disposals (i)	-	-	(5,017)	-	(5,017)
Balance at the end of the year	1,346,296	180,834	506,591	987	2,034,708
Accumulated depreciation and amortization					
Balance at the beginning of the year	425,527	151,819	362,855	-	940,201
Charge for the year	47,969	10,937	39,720	-	98,626
Disposals	-	-	(3,667)	-	(3,667)
Balance at the end of the year	473,496	162,756	398,908	-	1,035,160
Net book value	**872,800**	**18,078**	**107,683**	**987**	**999,548**

9. Property and equipment, net and Information Technology intangible assets, net - continued

	2020 SAR '000				
	Land and buildings	Leasehold improvements	Furniture, equipment and vehicles	Projects pending completion	Total
Cost					
Balance at the beginning of the year	1,299,713	177,916	492,033	3,807	1,973,469
Additions (i)	26,870	1,684	6,456	208	35,218
Disposals (i)	-	-	(3,826)	-	(3,826)
Transfers	3,807	-	-	(3,807)	-
Balance at the end of the year	1,330,390	179,600	494,663	208	2,004,861
Accumulated depreciation and amortization					
Balance at the beginning of the year	379,224	135,973	323,777	-	838,974
Charge for the year	46,303	15,846	39,097	-	101,246
Disposals	-	-	(19)	-	(19)
Balance at the end of the year	425,527	151,819	362,855	-	940,201
Net book value	**904,863**	**27,781**	**131,808**	**208**	**1,064,660**

(i) Additions and Disposals of property and equipment includes recognition and derecognition of ROU leased assets.

(ii) The above line items include ROU leased assets, net as follows:

	2021 SAR '000		
	Buildings	Equipment and vehicles	Total
Cost	235,891	78,365	314,256
Accumulated amortization	37,775	34,196	71,971
Net book value	**198,116**	**44,169**	**242,285**

	2020 SAR '000		
	Buildings	Equipment and vehicles	Total
Cost	241,189	78,864	320,053
Accumulated amortization	25,887	23,732	49,619
Net book value	**215,302**	**55,132**	**270,434**

The lease term of leases included in ROU assets range from 2 years to 40 years (2020: 5 years to 35 years). The payment for rentals is made on a monthly, quarterly, and annual basis and is paid in advance or arrears.

9. Property and equipment, net and Information Technology intangible assets, net - continued

b) Information Technology intangible assets, net as of December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000		
	Software	Projects pending completion	Total
Cost			
Balance at the beginning of the year	460,948	51,496	512,444
Additions	91,732	29,795	121,527
Transfers	8,573	(8,573)	-
Balance at the end of the year	561,253	72,718	633,971
Accumulated amortization			
Balance at the beginning of the year	230,664	-	230,664
Charge for the year	52,323	-	52,323
Balance at the end of the year	282,987	-	282,987
Net book value	**278,266**	**72,718**	**350,984**

	2020 SAR '000		
	Software	Projects pending completion	Total
Cost			
Balance at the beginning of the year	404,825	36,745	441,570
Additions	52,648	18,226	70,874
Transfers	3,475	(3,475)	-
Balance at the end of the year	460,948	51,496	512,444
Accumulated amortization			
Balance at the beginning of the year	187,234	-	187,234
Charge for the year	43,430	-	43,430
Balance at the end of the year	230,664	-	230,664
Net book value	**230,284**	**51,496**	**281,780**

10. Other assets, net

a) Other assets, net as of December 31, 2021 and 2020 are summarized as follows:

	2021 SAR '000	2020 SAR '000
Customer and other receivables	172,958	73,696
Prepaid expenses	36,763	35,017
Others	35,902	40,914
Total other assets	245,623	149,627
Allowance for credit losses	(94)	(275)
Other assets, net	**245,529**	**149,352**

b) The movement of the allowance for credit losses for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balances at the beginning of the year	275	386
Provision for credit losses	(181)	(111)
Balances at the end of the year	94	275

11. Derivatives

a) In the ordinary course of business, the Bank utilizes the following derivative financial instruments for trading and hedging purposes:

i. Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging notional amounts. For cross-currency special commission rate swaps, notional amounts, and fixed and floating special commission payments are exchanged in different currencies. The notional amounts can also vary based upon the agreed terms in the case of variable notional swaps.

ii. Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

iii. Forward rate agreements

Forward rate agreements are individually negotiated special commission rate contracts that call for a cash settlement for the difference between a contracted special commission rate and the market rate on a specified future date, on a notional principal, for an agreed period of time.

11. Derivatives - continued

iv. Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity, or financial instrument at a pre-determined price.

b) The derivative financial instruments are either held for trading or held for hedging purposes as described below:

i. Held for trading purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profit from favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profit from price differentials, between markets or products.

ii. Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. The risk management process involves managing the Bank's exposure to fluctuations in currency and special commission rate risks to acceptable levels as determined by the Board of Directors and within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are routinely monitored and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are periodically used to manage special commission rate gap within the established limits.

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to optimize its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions. The Bank uses forward foreign exchange contracts to also apply various hedging strategies against specifically identified currency risks. In addition, the Bank uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission-rate exposures.

c) The tables below summarize the positive and negative fair values of derivative financial instruments, together with the notional amounts, analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at each year-end, do not necessarily reflect the amounts of future cash flows involved. The notional amounts are not indicative of the Bank's exposure to credit risk which is generally limited to the net positive fair values of derivatives, nor market risk.

11. Derivatives - continued

Derivative financial instruments as of December 31, 2021 and 2020 are summarized as follows:

				Notional amounts by term to maturity				
				2021 SAR '000				
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Forward foreign exchange contracts	4,148	2,837	2,606,683	1,010,353	-	1,596,330	-	2,247,307
Commission rates swaps	138,503	137,702	8,478,876	837,925	950,500	2,005,522	4,684,929	13,469,731
Commission rate options	190,441	190,434	7,747,058	-	1,046,560	5,200,000	1,500,498	7,747,058
Held as fair value hedges:								
Commission rates swaps	-	686,300	12,116,598	187,750	1,858,725	4,941,580	5,128,543	7,252,932
CSA / EMIR cash margins	167,277	(787,126)	-	-	-	-	-	-
Subtotal	500,369	230,147	30,949,215	2,036,028	3,855,785	13,743,432	11,313,970	30,717,028
Associated company put option (note 11e)	163,602	-	-	-	-	-	-	-
Total (note 32m)	**663,971**	**230,147**	**30,949,215**	**2,036,028**	**3,855,785**	**13,743,432**	**11,313,970**	**30,717,028**

				Notional amounts by term to maturity				
				2020 SAR '000				
Held for trading:								
Forward foreign exchange contracts	10,941	8,532	3,314,241	816,722	856,772	1,640,747	-	3,052,535
Commission rates swaps	141,671	145,704	7,590,244	100,000	1,224,000	1,856,930	4,409,314	13,213,691
Commission rate options	290,517	290,509	9,065,419	-	-	7,566,160	1,499,259	9,065,419
Held as fair value hedges:								
Commission rates swaps	-	1,301,327	12,724,672	37,519	562,785	5,406,488	6,717,880	7,115,065
CSA / EMIR cash margins	238,645	(1,416,610)	-	-	-	-	-	-
Subtotal	681,774	329,462	32,694,576	954,241	2,643,557	16,470,325	12,626,453	32,446,710
Associated company put option (note 11e)	336,575	-	-	-	-	-	-	-
Total (note 32m)	**1,018,349**	**329,462**	**32,694,576**	**954,241**	**2,643,557**	**16,470,325**	**12,626,453**	**32,446,710**

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

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

11. Derivatives - continued

As of December 31, 2021, the CSA and EMIR net cash collateral amounts held by counterparties in favor of the Bank totaled SAR 954.4 million (2020: SAR 1,655 million(. The EMIR net cash margins include initial margin payments made to the counterparties.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously. See note 32m.

e) The Bank has a put option arising from an existing master agreement entered into by the Bank relating to an associated company, the estimated value of which is included in note 11c. The terms of the agreement give the Bank a put option and give the counter party a call option that is exercisable for the remaining term of the agreement. The Bank has valued only the put option, as the call option is deemed to be out of the money. The put option, once exercised, grants the Bank the right to receive a payment in exchange for its shares one year after the exercise, based on pre-determined formulas included in the agreement.

f) The table below is a summary of the Bank's fair value hedges and hedged portfolios as of December 31, 2021 and 2020, which includes the description of the hedged items and related fair values, the nature of the risk being hedged, and the hedging instruments and related fair values.

	2021 SAR '000					
	Hedged items			Hedging instruments		
	Current fair value	Inception fair value	Hedged risk	Instrument used	Positive fair value	Negative fair value
Fixed commission rate investments	13,002,014	12,729,581	Fair value risk	Commission rate swaps	-	686,300

	2020 SAR '000					
	Hedged items			Hedging instruments		
	Current fair value	Inception fair value	Hedged risk	Instrument used	Positive fair value	Negative fair value
Fixed commission rate investments	14,021,756	12,858,102	Fair value risk	Commission rate swaps	-	1,301,327

The net losses during the year on hedging instruments for fair value hedges were SAR 620.0 million (2020: losses of SAR 686.2 million). The net gains on hedged items attributable to hedged risk were SAR 620.0 million (2020: gains of SAR 686.2 million). The net positive fair value of all derivatives is approximately SAR 433.8 million (2020: SAR net positive 688.8 million). Approximately 79% (2020: 68%) of the positive fair value of the Bank's derivatives are entered into with financial institutions, and 21% (2020: 27%) of the positive fair value contracts are with any single counterparty at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Bank's treasury segment.

11. Derivatives - continued

g) The amounts relating to items designated as hedged item as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000			
	Carrying Amount	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Line item in the consolidated statement of financial position in which hedge item is included	Line item in the consolidated statement of financial position in which hedge item is included
Fixed commission rate investments	13,002,014	614,526	Investments – debt securities	FVOCI
	2020 SAR '000			
	Carrying Amount	**Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount**	**Line item in the consolidated statement of financial position in which hedge item is included**	**Line item in the consolidated statement of financial position in which hedge item is included**
Fixed commission rate investments	14,021,756	1,234,538	Investments – debt securities	FVOCI

12. Due to banks and other financial institutions, net

a) Due to banks and other financial institutions, net as of December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Current accounts	7,162	8,758
Repurchase agreements (note 12b)	13,385,749	12,502,627
Money market deposits	2,233,042	1,784,292
Deposits from SAMA, net (note 12c)	6,166,655	5,777,407
Total	**21,792,608**	**20,073,084**

12. Due to banks and other financial institutions, net - continued

b) Debt securities pledged under repurchase agreements with other banks include corporate, bank, and non-government bonds. The fair values of assets pledged as collateral with financial institutions as security and the related balances of the repurchase agreements as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000		2020 SAR '000	
	Pledged Assets	**Repurchase Agreements**	**Pledged Assets**	**Repurchase Agreements**
Debt securities	14,014,045	13,385,749	13,521,333	12,502,627

c) Deposits from SAMA, net are comprised of the following:

Maturity Year	**2021 SAR '000**	**2020 SAR '000**
2021	-	2,322,722
2022	2,500,000	-
2023	525,340	525,340
2024	624,660	524,660
2025	2,810,069	2,810,069
Undiscounted deposits from SAMA	6,460,069	6,182,791
Less: Unamortized discount	(293,414)	(405,384)
Deposits from SAMA, net	**6,166,655**	**5,777,407**

13. Customers' deposits

a) Customers' deposits as of December 31, 2021 and 2020 are summarized as follows:

	2021 SAR '000	**2020 SAR '000**
Murabaha commodity deposits	16,211,360	21,986,528
Conventional time deposits	8,933,847	2,561,726
Time deposits	25,145,207	24,548,254
Savings deposits	2,147,244	1,041,362
Total special commission bearing deposits	27,292,451	25,589,616
Demand deposits	31,951,963	32,485,210
Other deposits	2,270,468	2,068,763
Customers' deposits	**61,514,882**	**60,143,589**

Other deposits include SAR 650.8 million (2020: SAR 573.7 million) of margin deposits held for irrevocable commitments.

Customers' deposits above include Sharia-Compliant and demand deposits totaling SAR 48.1 billion (2020: SAR 54.4 billion).

13. Customers' deposits - continued

b) The above amounts include foreign currency deposits (equivalent to Saudi Arabian Riyals) as of December 31, 2021 and 2020 as follows:

	2021 SAR '000	2020 SAR '000
Demand	2,148,005	2,617,132
Savings	1,504,658	846,120
Time	6,052,631	4,573,433
Other	77,472	70,371
Total	**9,782,766**	**8,107,056**

14. Term loans

On June 19, 2016, the Bank entered into a five year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility was fully utilized and was repaid on June 19, 2021. On September 26, 2017, the Bank entered into another five-year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility was fully utilized on October 4, 2017 and was repaid on May 26, 2021.

The term loans were at market based variable commission rates. The Bank had an option to effect early repayment of the term loans subject to the terms and conditions of the related facility agreements. The facility agreements above included covenants which required maintenance of certain financial ratios and other requirements, with which the Bank was in compliance. The Bank also had no defaults of principal or commission on the term loans.

15. Other liabilities

a) Other liabilities as of December 31, 2021 and 2020 are summarized as follows:

	Notes	2021 SAR '000	2020 SAR '000
Zakat settlement liability, net	27e	235,262	346,637
Lease liabilities	15c	231,890	254,784
Accrued Zakat		236,161	250,799
Deferred government grant income	41	54,745	214,352
Allowance for credit losses for financial guarantee contracts	15b	204,131	210,554
Employee end of service benefits	37a	193,747	202,444
Accrued salaries and other employee related benefits		242,278	166,728
Customer related liabilities		69,675	116,538
Accrued expenses		164,775	102,189
Allowance for legal proceedings	20a	49,000	49,000
Deferred fees		10,763	8,485
Others		56,496	78,685
Total		**1,748,923**	**2,001,195**

15. Other liabilities - continued

b) The movement of the allowance for credit losses for financial guarantee contracts for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balances at the beginning of the year	210,554	217,397
Provision for credit losses	(6,423)	(6,843)
Balances at the end of the year (note 15a)	**204,131**	**210,554**

c) The maturity analysis of contractual undiscounted lease liabilities is summarized as follows:

	2021 SAR '000	2020 SAR '000
Less than one year	45,189	21,154
One to five years	98,759	90,129
More than five years	113,421	108,847
Total undiscounted lease liabilities	257,369	220,130
Add amounts for reasonably certain extension options	124,089	111,165
Undiscounted lease liabilities	381,458	331,295
Lease liabilities (note 15a)	**231,890**	**254,784**

16. Share capital

As of December 31, 2021, the authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (2020: 750 million shares of SAR 10 each). The ownership of the Bank's share capital as of December 31, 2021 and 2020 is as follows in SAR millions:

	2021		2020	
	Amount	**%**	**Amount**	**%**
Saudi shareholders	7,500.0	100.0	6,750.0	90.0
Treasury shares (note 39)	-	-	750.0	10.0
	7,500.0	**100.0**	**7,500.0**	**100.0**

17. Statutory reserve

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 266 million has been transferred from 2021 net income (2020: SAR 245 million from net income). The statutory reserve is not currently available for distribution.

Refer to note 19 for proposed capital increase by way of issuing bonus shares through capitalization from statutory reserve.

18. Dividends

During 2021, the Board of Directors proposed a cash dividend of SAR 270.0 million equal to SAR 0.4 per share to 675 million eligible shares. The proposed cash dividend was approved by the Bank's shareholders in an extraordinary general assembly meeting held on April 21, 2021. The dividends were paid to the Bank's shareholders starting from May 2, 2021.

19. Proposed dividends and bonus shares issuance

During Q4 2021, the Board of Directors proposed a cash dividend of SAR 525 million equal to SAR 0.7 per share. The Board of Directors also proposed capital increase by way of issuing bonus shares to the bank's shareholders by granting one share for every three shares. The proposed capital increase would be by capitalization from statutory reserve.

The proposed cash dividends and bonus shares issuance were approved by the Bank's shareholders in an extraordinary general assembly meeting held on February 1, 2022.

20. Commitments, contingencies, and financial guarantee contracts

a) Legal proceedings

As of December 31, 2021, there were 488 legal proceedings outstanding against the Group (2020: 188). No provision has been made in cases where professional legal advice indicates that it is not probable that any significant loss will arise. However, provisions are made for legal cases where management foresees the probability of an adverse outcome based on professional advice.

The movement of the allowance for such legal cases, included in other liabilities, for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balance at beginning of the year	49,000	73,528
Utilized during the year	-	(24,528)
Balance at end of the year (note 15a)	**49,000**	**49,000**

b) Capital commitments

As of December 31, 2021, the Group had capital commitments of SAR 194.2 million (2020: SAR 203.6 million) for property, equipment and Information Technology Intangible assets.

c) Credit related commitments and contingencies

The Group enters into certain credit related facilities to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

20. Commitments, contingencies, and financial guarantee contracts - continued

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

For issued financial guarantee contracts and loan commitments, the maximum amount is allocated to the earliest period in which the guarantee could be called, as the Group has the right to recall financial guarantee contracts and loan commitments prior to their maturity.

i) The contractual maturity structure for the Group's credit related commitments and contingencies as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000				
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	1,523,150	951,786	7,593	-	2,482,529
Letters of guarantee	2,220,918	5,059,083	1,960,704	22,252	9,262,957
Acceptances	472,032	246,112	-	-	718,144
Total financial guarantee contracts	4,216,100	6,256,981	1,968,297	22,252	12,463,630
Irrevocable commitments to extend credit	-	153,438	75,424	22,440	251,302
Credit-related commitments and contingencies	**4,216,100**	**6,410,419**	**2,043,721**	**44,692**	**12,714,932**

	2020 SAR '000				
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	1,121,654	1,304,223	3,752	-	2,429,629
Letters of guarantee	2,105,596	4,617,501	2,151,579	51,746	8,926,422
Acceptances	458,536	193,543	-	-	652,079
Total financial guarantee contracts	3,685,786	6,115,267	2,155,331	51,746	12,008,130
Irrevocable commitments to extend credit	-	-	375,438	40,240	415,678
Credit-related commitments and contingencies	**3,685,786**	**6,115,267**	**2,530,769**	**91,986**	**12,423,808**

The movement of the allowance for credit losses for financial guarantee contracts is summarized in note 15b.

The outstanding unused portion of commitments as of December 31, 2021 which can be revoked unilaterally at any time by the Group, amounts to SAR 23.2 billion (2020: SAR 23.7 billion).

20. Commitments, contingencies, and financial guarantee contracts - continued

ii) The analysis of commitments and contingencies by counterparty as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Government and quasi-Government	257,201	167,478
Corporate	11,807,273	11,493,607
Banks and other financial institutions	437,124	574,570
Other	213,334	188,153
Total	**12,714,932**	**12,423,808**

d) Zakat

Note 27 provides information regarding the current status of the Group's Zakat positions.

21. Special commission income and expense

Special commission income and expense for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Special commission income:		
Loans and advances	2,158,353	2,496,979
Investments	634,000	721,076
Banks and other financial institutions	20,291	43,921
Total	**2,812,644**	**3,261,976**
Special commission expense:		
Customer deposits	222,824	544,755
Banks and other financial institutions	185,489	314,094
Term loans	16,725	47,329
Lease liabilities	15,196	17,236
Zakat settlement liability	12,696	16,908
Total	**452,930**	**940,322**

22. Fee income from banking services, net

Fee income from banking services, net for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Fee income:		
Share trading and fund management	192,219	210,490
Trade finance	104,334	103,680
Corporate and retail finance	58,671	27,963
Other banking services	175,712	122,810
Total fee income	**530,936**	**464,943**
Fee expense:		
Custodial services	79,287	73,410
Other banking services	117,878	88,136
Total fee expense	**197,165**	**161,546**
Fee income from banking services, net	**333,771**	**303,397**

23. Dividend income

Dividend income for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Dividend income from FVOCI equity investments	-	14

24. Gains on disposals of FVOCI debt securities, net

Gains on disposals of FVOCI debt securities, net for the years ended December 31, 2021 and 2020 are summarized as follows:

	2021 SAR '000	2020 SAR '000
Losses on the sale of FVOCI debt securities	-	(24)
Gains on the sale of FVOCI debt securities	74,106	104,500
Total	**74,106**	**104,476**

25. Compensation and related governance and practices

a) As required by SAMA, the following table summarizes the Group's employee categories defined in accordance with SAMA's rules on compensation practices. It includes the total amounts of fixed and variable compensation paid to employees, and the forms of such payments, and also includes the variable compensation accrued, and other employee benefits and related expenses incurred during the years ended December 31, 2021 and 2020.

		2021 SAR '000			
			Variable Compensation Paid		
Category	**Number of Employees**	**Fixed Compensation Paid**	**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	19	35,795	19,908	-	19,908
Employees engaged in risk taking activities	93	52,162	12,900	-	12,900
Employees engaged in control functions	91	42,539	8,580	-	8,580
Other employees	1,277	272,761	31,927	-	31,927
Outsourced employees	78	18,422	2,297	-	2,297
Totals	**1,558**	**421,679**	**75,612**	**-**	**75,612**
Variable compensation accrued		89,000			
Other employee benefits and related expenses		176,703			
Total salaries and employee related expenses		**687,382**			

		2020 SAR '000			
			Variable Compensation Paid		
Category	**Number of Employees**	**Fixed Compensation Paid**	**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	20	34,724	15,736	-	15,736
Employees engaged in risk taking activities	94	53,323	12,603	-	12,603
Employees engaged in control functions	83	45,205	8,711	-	8,711
Other employees	1,240	271,186	29,681	-	29,681
Outsourced employees	56	11,267	1,343	-	1,343
Totals	**1,493**	**415,705**	**68,074**	**-**	**68,074**
Variable compensation accrued		83,000			
Other employee benefits and related expenses		173,331			
Total salaries and employee related expenses		**672,036**			

25. Compensation and related governance and practices - continued

b) The Board of Directors of the Bank has established a Nomination and Remuneration Committee (the Committee) which consists of four board members. The Committee is primarily responsible for recommending appointments to membership of the Board of Directors and key executives of the Bank in compliance with the Bank's Corporate Governance Guidelines, completing annual reviews for the requirements of suitable skills and independence for membership of the Bank's Board of Directors, reviewing the structure of the Board of Directors, establishing policies for the compensation of members of the Board of Director's, and overseeing the Bank's employee compensation system's design.

The Committee is also responsible to recommend to the Board of Directors the approval of the Bank's Compensation Policy and any amendments thereto, to ensure that the Bank's remuneration policies are in compliance with SAMA Rules on Compensation Practices and the Financial Stability Board's (FSB) Principles for Sound Compensation Practices, to periodically review the Bank's compensation policy, to evaluate practices by which compensation is paid, and to determine the performance bonuses for the Bank's employees based on the risk adjusted profit of the Bank.

The Bank's Compensation Policy is designed to attract, retain and motivate high performing and high potential employees. Employees participate in various variable pay arrangements. Discretionary variable pay as well as fixed pay reviews are dependent on the achievement of objectives, which is monitored/measured via a robust performance management system. The grant of the variable component of the reward is strictly dependent on the achievement of set targets, both financial and non-financial, level of achievements and the Bank's overall performance, including key risk indicators. Higher achievements will warrant a better performance rating and higher variable compensation. The Balanced Scorecard concept is used as a performance management tool and Performance objectives are typically categorized into four segments including financial, customer, process, and people.

Financial and non-financial metrics are used to measure performance against the objectives, which include profitability, expense control, customer satisfaction, quality assurance, employee development and engagement, workforce diversity, sustainable business practices, lending guidelines, internal controls, compliance with regulations, and business systems and processes. Effective risk management is emphasized to maintain a strong and secure operating platform. A Risk Appetite Framework Policy has been established and compliance with the annual Risk Appetite Statement is key to all remuneration decisions including variable pay arrangements.

In addition to the above, the Bank's employees are encouraged to participate in employee share savings and incentive schemes. Variable remuneration is linked to long-term value creation and risk horizons. It is also based on individual, business segment and Bank performance criteria. Accordingly, for certain variable remunerations, a portion of the incentive earned for the annual performance bonus program is deferred in line with long term risk realization. The vesting is subject to clawback mechanisms.

The Bank's subsidiaries have adopted a similar approach to remuneration and compensation practices as described above, including policies within a framework of prudent risk management.

The total amount of compensation paid to key management for the year ended December 31, 2021 was SAR 50.9 million (2020: SAR 50.5 million). The post-employment benefits accrued to key management for the year ended December 31, 2021 was SAR 3.2 million (2020: SAR 6.5 million).

The total end of service payments made for all employees who left their employment with the Group during the year ended December 31, 2021 totalled SAR 26.3 million (2020: SAR 17.2 million). These payments were made to 101 beneficiaries (2020: 111). The highest payment to a single individual in 2021 was SAR 9.9 million (2020: SAR 1.9 million).

26. Basic and diluted earnings per share

a) Basic and diluted earnings per share is calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving effect to the purchase and issuance of 74.9 million treasury shares (refer to note 39).

b) Details of basic and diluted earnings per share are as follows:

	2021 SAR '000	2020 SAR '000
Profit attributable to ordinary shareholders		
Net income	1,061,656	979,561
Tier I Sukuk costs	(110,699)	(117,601)
Net income adjusted for Tier I Sukuk costs	**950,957**	**861,960**
Weighted average number of outstanding shares (in '000)		
Number of shares outstanding at the beginning of the year	675,004	675,004
Adjusted issuance of treasury shares	25,908	-
Bonus element included in issuance of treasury shares	8,803	13,501
Weighted average number of outstanding shares	**709,715**	**688,505**
Basic and diluted earnings per share (SAR)	**1.34**	**1.25**

The weighted average number of outstanding shares have been retrospectively adjusted for prior year to reflect the effect bonus element included in the treasury shares issued and have been calculated using an adjustment factor of 1.02 which is the ratio of the theoretical ex-rights price of SR 17.49 and closing price per share of SR 17.88 immediately before exercise of the rights.

27. Zakat

a) Provisions for Zakat for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Provisions for Zakat		
- Provisions – current and prior period	239,393	246,201
- Reversal of Zakat – prior period (note 27b)	(33,782)	-
- For subsidiaries, prior periods	-	2,745
Provisions for Zakat, net	**205,611**	**248,946**

27. Zakat - continued

b) Under the SAMA support programs and initiatives, the Bank received long-term commission free deposits from SAMA. These deposits are intended to compensate for the related costs that the Bank is expected to incur under the SAMA and other public authorities program. As per the Zakat regulations in KSA, all long-term liabilities are included as a Zakatable source of funds for the calculation of Zakat charge. Accordingly, zakat was calculated and paid on these long-term commission free deposits to ZATCA for the year ended December 31, 2020. During the year ended December 31, 2021, the Bank received a confirmation from the concerned authorities to not include these long-term deposits from the Zakatable source of funds considering the purpose of these deposits. The confirmation is treated as a change in estimate and accordingly, the Bank has reversed the additional Zakat paid on long-term deposits in the consolidated statement of income for the year ended December 31, 2021.

c) The Bank has filed the required Zakat returns with the ZATCA which are due on April 30 each year, through the year ended December 31, 2020. The Bank's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership percentages disclosed in note 16. The assessments for Bank's 2019 and 2020 zakat declarations are in progress.

d) On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Bank has provided for Zakat for the year ended December 31, 2021 and 2020 on the basis of the Bank's understanding of these rules.

e) In December 2018, the Bank agreed with the ZATCA to a settlement of Zakat assessments for the years 2006 to 2017 for SAR 775.5 million. The discounted Zakat liability of SAR 711.8 million was fully provided for through a charge to the consolidated statement of income with the corresponding liability included in other liabilities as of December 31, 2018. The Bank has paid SAR 155 million, SAR 124 million, SAR 124 million and SAR 124 million on January 1, 2019, December 1, 2019, December 1, 2020 and December 1, 2021 respectively, as per the settlement agreement. The undiscounted Zakat settlement liability remaining to be paid and the net discounted Zakat liability is as follows:

	2021 SAR '000	2020 SAR '000
December 1, 2021	-	124,072
December 1, 2022	124,072	124,072
December 1, 2023	124,072	124,072
Undiscounted Zakat settlement liability	248,144	372,216
Less: Discount	(12,882)	(25,579)
Net discounted Zakat liability	**235,262**	**346,637**

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

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

28. Operating segments

a) Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Bank's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance is measured on segment profit, as management believes that this indicator is the most relevant in evaluating the results of segments relative to other entities that operate within these sectors.

Transactions between the operating segments are on normal commercial terms and conditions as approved by management. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities are comprised of operating assets and liabilities. The Group's primary business is conducted in KSA.

There has been no change to the measurement basis or classification for the segment profit or loss during the year ended December 31, 2021.

b) The Group's reportable segments are as follows:

Retail banking. Loans, deposits, and other credit products for high-net worth individuals and consumers.
Corporate banking. Loans, deposits and other credit products for corporate, small to medium-sized businesses, and institutional customers.
Treasury and Investments. Money market, investments and treasury services, and investments in associates and related activities.
Asset management and brokerage. Dealing, managing, advising and custody of securities services.
Other. Support functions, special credit, and other management and control units.

Commission is charged to operating segments based on Funds Transfer Price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits (FTP net transfers). All other segment income is from external customers.

28. Operating segments - continued

c) The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of December 31, 2021 and 2020, and its total operating income, expenses, and Income before provisions for Zakat for the years then ended, are as follows:

						2021 SAR '000
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Total assets	19,373,170	37,850,491	40,964,961	631,266	2,768,147	101,588,035
Total liabilities	23,104,835	8,876,380	52,868,018	57,083	380,244	85,286,560
Net special commission income (loss)	712,960	1,227,163	406,499	26,327	(13,235)	2,359,714
FTP net transfers	15,296	(556,643)	550,054	-	(8,707)	-
Net FTP contribution	728,256	670,520	956,553	26,327	(21,942)	2,359,714
Fee income (loss) from banking services, net	44,771	106,827	20,555	176,486	(14,868)	333,771
Other operating income (loss)	73,990	60,731	51,554	8,167	(120,215)	74,227
Total operating income (loss)	847,017	838,078	1,028,662	210,980	(157,025)	2,767,712
Direct operating expenses	342,223	75,401	52,238	99,674	-	569,536
Indirect operating expenses	285,860	150,077	278,714	-	-	714,651
Provisions for credit and other losses	138,152	164,365	230	(181)	(31,500)	271,066
Total operating expenses	766,235	389,843	331,182	99,493	(31,500)	1,555,253
Operating income (loss)	80,782	448,235	697,480	111,487	(125,525)	1,212,459
Share in earnings of associates	-	-	54,808	-	-	54,808
Income (loss) before provisions for Zakat	**80,782**	**448,235**	**752,288**	**111,487**	**(125,525)**	**1,267,267**

28. Operating segments - continued

	2020 SAR '000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Total assets	19,296,534	35,423,920	42,129,502	492,926	2,541,650	99,884,532
Total liabilities	21,593,865	6,887,766	54,968,619	38,800	1,064,449	84,553,499
Net special commission income (loss)	869,778	1,476,153	58,620	24,504	(107,401)	2,321,654
FTP net transfers	(39,667)	(549,907)	601,864	-	(12,290)	-
Net FTP contribution	830,111	926,246	660,484	24,504	(119,691)	2,321,654
Fee income (loss) from banking services, net	23,387	131,505	39,821	139,121	(30,437)	303,397
Other operating income (loss)	78,785	47,983	221,691	1,186	(128,563)	221,082
Total operating income (loss)	932,283	1,105,734	921,996	164,811	(278,691)	2,846,133
Direct operating expenses	290,535	66,486	44,680	84,351	-	486,052
Indirect operating expenses	313,077	145,619	269,393	-	-	728,089
Provisions for credit and other losses	15,444	431,240	2,840	(111)	-	449,413
Total operating expenses	619,056	643,345	316,913	84,240	-	1,663,554
Operating income (loss)	313,227	462,389	605,083	80,571	(278,691)	1,182,579
Share in earnings of associates	-	-	45,928	-	-	45,928
Income (loss) before provisions for Zakat	**313,227**	**462,389**	**651,011**	**80,571**	**(278,691)**	**1,228,507**

28. Operating segments - continued

d) The Group's credit exposure by business segment as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Consolidated statement of financial position assets	17,920,610	37,850,331	39,600,660	551,989	1,479,733	97,403,323
Commitments and contingencies	3,357,020	6,327,645	38,716	-	-	9,723,381
Derivatives	-	-	779,499	-	-	779,499
Totals	**21,277,630**	**44,177,976**	**40,418,875**	**551,989**	**1,479,733**	**107,906,203**

	2020 SAR '000					
	Retail banking	Corporate banking	Treasury and investments	Asset management and brokerage	Other	Total
Consolidated statement of financial position assets	17,873,469	35,423,396	40,764,329	426,179	1,350,366	95,837,739
Commitments and contingencies	1,388,251	6,817,199	651,470	-	-	8,856,920
Derivatives	-	-	1,059,768	-	-	1,059,768
Totals	**19,261,720**	**42,240,595**	**42,475,567**	**426,179**	**1,350,366**	**105,754,427**

Consolidated statement of financial position credit exposure is comprised of the carrying value of consolidated statement of financial position assets excluding cash on hand, property, equipment, and Information Technology intangible assets, investments in associates, investments in equities, mutual funds, and other securities, other real estate, and other assets. The credit equivalent value of commitments, contingencies and derivatives are also included in the table above.

29. Geographical concentration

a) The distribution by geographical region for assets, liabilities, and for commitments, contingencies, and derivatives as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000						
	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with SAMA:							
Cash on hand	754,291	-	-	-	-	-	754,291
Balances with SAMA	5,147,388	-	-	-	-	-	5,147,388
Due from banks and other financial institutions, net:							
Current accounts	-	145,525	344,080	1,794,930	7,550	63,693	2,355,778
Money market placements	3,090,000	-	-	-	-	-	3,090,000
Investments:							
Held at FVTPL	128,474	9,459	-	4,723	-	-	142,656
Held at FVOCI	21,311,530	5,416,807	1,119,032	598,629	-	253,097	28,699,095
Positive fair values of derivatives, net:							
Held for trading	201,792	105,344	25,956	-	-	-	333,092
Associated company put option	-	163,602	-	-	-	-	163,602
CSA / EMIR cash margins	(5,490)	161,787	10,980	-	-	-	167,277
Loans and advances, net:							
Commercial and others	42,411,189	-	-	-	-	-	42,411,189
Overdrafts	5,411,443	-	-	-	-	-	5,411,443
Consumer	9,980,482	-	-	-	-	-	9,980,482
Investments in associates	883,700	-	-	-	-	-	883,700
Other real estate	451,981	-	-	-	-	-	451,981
Property and equipment, net	999,548	-	-	-	-	-	999,548
Information Technology intangible assets, net	350,984	-	-	-	-	-	350,984
Other assets, net	245,529	-	-	-	-	-	245,529
Total	**91,362,841**	**6,002,524**	**1,500,048**	**2,398,282**	**7,550**	**316,790**	**101,588,035**
Liabilities							
Due to Banks and other financial institutions, net:							
Current accounts	-	2,511	535	-	-	4,116	7,162
Repurchase agreements	-	5,939,252	7,446,497	-	-	-	13,385,749
Money market deposits	1,002,991	443,229	786,822	-	-	-	2,233,042
Deposits from SAMA, net	6,166,655	-	-	-	-	-	6,166,655
Customers' deposits:							
Time	25,145,207	-	-	-	-	-	25,145,207
Savings	2,147,244	-	-	-	-	-	2,147,244
Demand	31,951,963	-	-	-	-	-	31,951,963
Other	2,270,468	-	-	-	-	-	2,270,468
Negative fair values of derivatives, net:							
Held for trading	127,140	93,984	109,849	-	-	-	330,973
Held as fair value hedges	-	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	-	(787,126)	-	-	-	(787,126)
Other liabilities	1,748,923	-	-	-	-	-	1,748,923
Total	**70,560,591**	**6,478,976**	**8,242,877**	**-**	**-**	**4,116**	**85,286,560**
Commitments and contingencies:							
Letters of credit	2,399,509	83,020	-	-	-	-	2,482,529
Letters of guarantee	8,917,769	54,563	14,799	10,636	-	265,190	9,262,957
Acceptances	716,657	1,487	-	-	-	-	718,144
Irrevocable commitments to extend credit	251,302	-	-	-	-	-	251,302
Maximum credit exposure (stated at credit equivalent amounts):							
Commitments and contingencies							
Letters of credit	2,351,308	81,353	-	-	-	-	2,432,661
Letters of guarantee	6,327,645	38,716	10,501	7,547	-	188,167	6,572,576
Acceptances	716,657	1,487	-	-	-	-	718,144
Derivatives:							
Held for trading	139,849	68,084	166,841	-	-	-	374,774
Held as fair value hedges	89,976	43,804	107,343	-	-	-	241,123
Associated company put option	-	163,602	-	-	-	-	163,602

29. Geographical concentration - continued

	2020 SAR '000						
	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with SAMA:							
Cash on hand	704,645	-	-	-	-	-	704,645
Balances with SAMA	7,618,845	-	-	-	-	-	7,618,845
Due from banks and other financial institutions, net:							
Current accounts	-	128,651	440,321	1,029,834	4,376	63,472	1,666,654
Money market placements	500,088	-	-	-	-	-	500,088
Investments:							
Held at FVTPL	144,212	14,030	-	21,873	-	-	180,115
Held at FVOCI	21,805,435	6,831,079	1,006,109	513,314	177,791	-	30,333,728
Positive fair values of derivatives, net:							
Held for trading	51,002	3,212	388,915	-	-	-	443,129
Associated company put option	-	336,575	-	-	-	-	336,575
CSA / EMIR cash margins	(48,517)	-	287,162	-	-	-	238,645
Loans and advances, net:							
Commercial and others	40,388,877	-	-	-	-	-	40,388,877
Overdrafts	3,590,815	-	-	-	-	-	3,590,815
Consumer	11,094,202	-	-	-	-	-	11,094,202
Investments in associates	845,744	-	-	-	-	-	845,744
Other real estate	446,678	-	-	-	-	-	446,678
Property and equipment, net	1,064,660	-	-	-	-	-	1,064,660
Information Technology intangible assets, net	281,780	-	-	-	-	-	281,780
Other assets, net	149,352	-	-	-	-	-	149,352
Total	**88,637,818**	**7,313,547**	**2,122,507**	**1,565,021**	**182,167**	**63,472**	**99,884,532**
Liabilities							
Due to Banks and other financial institutions, net:							
Current accounts	-	5,667	747	-	-	2,344	8,758
Repurchase agreements	-	6,264,802	6,237,825	-	-	-	12,502,627
Money market deposits	1,138,175	420,853	225,264	-	-	-	1,784,292
Deposits from SAMA, net	5,777,407	-	-	-	-	-	5,777,407
Customers' deposits:							
Time	24,548,254	-	-	-	-	-	24,548,254
Savings	1,041,362	-	-	-	-	-	1,041,362
Demand	32,485,210	-	-	-	-	-	32,485,210
Other	2,068,763	-	-	-	-	-	2,068,763
Negative fair values of derivatives, net:							
Held for trading	412,129	-	32,616	-	-	-	444,745
Held as fair value hedges	-	-	1,301,327	-	-	-	1,301,327
CSA / EMIR cash margins	-	-	(1,416,610)	-	-	-	(1,416,610)
Term loans	2,006,169	-	-			-	2,006,169
Other liabilities	2,001,195	-	-	-	-	-	2,001,195
Total	**71,478,664**	**6,691,322**	**6,381,169**	**-**	**-**	**2,344**	**84,553,499**
Commitments and contingencies:							
Letters of credit	2,424,785	4,844	-	-	-	-	2,429,629
Letters of guarantee	8,349,250	94,877	437,233	10,709	6,600	27,753	8,926,422
Acceptances	652,079	-	-	-	-	-	652,079
Irrevocable commitments to extend credit	415,678	-	-	-	-	-	415,678
Maximum credit exposure (stated at credit equivalent amounts):							
Commitments and contingencies							
Letters of credit	2,326,443	4,647	-	-	-	-	2,331,090
Letters of guarantee	5,496,020	62,454	287,815	7,049	4,345	18,269	5,875,952
Acceptances	649,878	-	-	-	-	-	649,878
Derivatives:							
Held for trading	62,339	39,394	58,956	-	-	-	160,689
Held as fair value hedges	215,459	70,071	276,974	-	-	-	562,504
Associated company put option	-	336,575	-	-	-	-	336,575

29. Geographical concentration - continued

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000
Kingdom of Saudi Arabia				
Commercial loans and overdrafts	997,461	1,022,161	1,816,795	1,495,198
Consumer loans	111,136	136,948	148,438	260,226
	1,108,597	**1,159,109**	**1,965,233**	**1,755,424**

30. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either a trading or banking book.

a) Market risk-trading book

The Board of Directors has set limits for the acceptable level of risks in managing the trading book. The Group currently has trading book exposures in foreign exchange contracts and commission rate swaps. Market risk management uses the estimation of Value at Risk (VaR) tool for all transactions included in the trading portfolios. VaR is estimated for a specified period based on adverse market fluctuations.

b) Market risk-banking book

Market risk in the banking book mainly arises from commission rate risk, liquidity risk, currency risk, and equity price risk.

i. Commission rate risk

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

The following table depicts the sensitivity to a reasonably possible change in commission rates, with other variables held constant, on the Group's consolidated statement of income or shareholders' equity. The reasonably possible change is estimated based on the relevant commission rate movements during the last five years (2017 - 2021) (2020: 2016 - 2020). A positive effect shows a potential net increase in the consolidated net income or shareholders' equity, whereas a negative effect shows a potential net reduction in consolidated net income or shareholders' equity.

The sensitivity of net special commission income is the effect of the assumed changes in commission rates on the net special commission income for one year, based on the floating rate financial assets and financial liabilities held as of December 31, 2021 and 2020, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI debt securities, excluding the effect of any associated fair value hedges as of December 31, 2021 and 2020 for the effect of assumed changes in commission rates. The sensitivity of shareholders' equity is analyzed by maturity of the asset or swap. The entire banking book exposures are monitored and analyzed by currency and relevant sensitivities and are disclosed in SAR thousands. For presentation purposes in the tables below, short-term fixed rate deposit liabilities are treated as variable rate deposits.

30. Market risk - continued

		2021 SAR '000	2021 Sensitivity of equity SAR '000				
Commission rate	Increase (decrease) in basis	Sensitivity of net special commission income	6 months or less	6 to 12 months	1 to 5 years	Over 5 years	Total
SIBOR	+45/-117	-84,303/+219,186	-	-	-16,892/+43,919	-70 /+181	-16,962/+44,100
LIBOR	+69/-78	-78,446/+88,678	-248/+281	-1,278/+1,445	-113,017/+127,755	-256,684/+290,165	-371,227/+419,646
Euribor	+164/-4	+2,404/-59	-	-	-	-	-

		2020 SAR '000	2020 Sensitivity of equity SAR '000				
Commission rate	Increase (decrease) in basis	Sensitivity of net special commission income	6 months or less	6 to 12 months	1 to 5 years	Over 5 years	Total
SIBOR	+179/-37	-140,525/+47,980	-2,101/+437	-	-59,570/+12,393	-73,795/+15,353	-135,466/+28,183
LIBOR	+217/-44	-346,026/+71,109	-2,459/+503	-34,332/+7,024	-1,572,447/+321,719	-6,822,336/+1,395,842	-8,431,574/+1,725,088
Euribor	+30/-12	-8/+2	-	-	-	-	-

The Group manages exposure to the effects of various risks associated with fluctuations in prevailing levels of market special commission rates on its financial position and cash flows. The Board of Directors also sets limits on the level of mismatch of special commission rate re-pricing that may be undertaken, which is monitored by the Treasury unit.

The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through special commission rate risk management strategies.

30. Market risk - continued

The tables below summarize the Group's exposure to special commission rate risks as of December 31, 2021 and 2020. Included in the tables are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	2021 SAR '000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Non commission bearing**	**Total**
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	754,291	754,291
Balances with SAMA	2,290,000	-	-	-	2,857,388	5,147,388
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	2,355,778	2,355,778
Money market placements	3,090,000	-	-	-	-	3,090,000
Investments:						
Held at FVTPL	-	-	-	-	142,656	142,656
Held at FVOCI	1,405,788	2,214,938	7,886,579	16,835,767	356,023	28,699,095
Positive fair values of derivatives, net:						
Held for trading	-	-	-	-	333,092	333,092
Associated company put option	-	-	-	-	163,602	163,602
CSA / EMIR cash margins	-	-	-	-	167,277	167,277
Loans and advances, net:						
Commercial and others	24,487,778	11,435,844	4,990,284	1,497,283	-	42,411,189
Overdrafts	5,411,443	-	-	-	-	5,411,443
Consumer	1,719,735	1,287,736	4,822,946	2,150,065	-	9,980,482
Investments in associates	-	-	-	-	883,700	883,700
Other real estate	-	-	-	-	451,981	451,981
Property and equipment, net	-	-	-	-	999,548	999,548
Information Technology intangible assets, net	-	-	-	-	350,984	350,984
Other assets, net	-	-	-	-	245,529	245,529
Total	**38,404,744**	**14,938,518**	**17,699,809**	**20,483,115**	**10,061,849**	**101,588,035**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,651,827	3,733,922	-	-	-	13,385,749
Money market deposits	1,186,406	1,046,636	-	-	-	2,233,042
Deposits from SAMA, net	2,500,000	-	3,666,655	-	-	6,166,655
Customers' deposits:						
Time	20,104,405	5,024,248	16,554	-	-	25,145,207
Savings	2,147,244	-	-	-	-	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,270,468	2,270,468
Negative fair values of derivatives, net:						
Held for trading	-	-	-	-	330,973	330,973
Held as fair value hedges	-	-	-	-	686,300	686,300
CSA / EMIR cash margins	-	-	-	-	(787,126)	(787,126)
Other liabilities	-	-	-	-	1,748,923	1,748,923
Total equity	**-**	**-**	**-**	**-**	16,301,475	16,301,475
Total	**35,589,882**	**9,804,806**	**3,683,209**	**-**	**52,510,138**	**101,588,035**
Special commission rate sensitivity-On balance sheet	2,814,862	5,133,712	14,016,600	20,483,115	(42,448,289)	-
Special commission rate sensitivity-Off balance sheet	11,928,848	(1,858,725)	(4,941,580)	(5,128,543)	-	-
Total special commission rate sensitivity gap	14,743,710	3,274,987	9,075,020	15,354,572	(42,448,289)	-
Cumulative special commission rate sensitivity gap	**14,743,710**	**18,018,697**	**27,093,717**	**42,448,289**	**-**	**-**

30. Market risk - continued

	2020 SAR '000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Non commission bearing**	**Total**
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	704,645	704,645
Balances with SAMA	4,610,000	-	-	-	3,008,845	7,618,845
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	1,666,654	1,666,654
Money market placements	500,088	-	-	-	-	500,088
Investments:						
Held at FVTPL	-	-	-	-	180,115	180,115
Held at FVOCI	3,918,908	920,015	11,766,118	13,354,868	373,819	30,333,728
Positive fair values of derivatives, net:						
Held for trading	-	-	-	-	443,129	443,129
Associated company put option	-	-	-	-	336,575	336,575
CSA / EMIR cash margins	-	-	-	-	238,645	238,645
Loans and advances, net:						
Commercial and others	25,819,236	11,580,223	2,367,844	621,574	-	40,388,877
Overdrafts	3,590,815	-	-	-	-	3,590,815
Consumer	2,391,663	1,624,351	5,050,992	2,027,196	-	11,094,202
Investments in associates	-	-	-	-	845,744	845,744
Other real estate	-	-	-	-	446,678	446,678
Property and equipment, net	-	-	-	-	1,064,660	1,064,660
Information Technology intangible assets, net	-	-	-	-	281,780	281,780
Other assets, net	-	-	-	-	149,352	149,352
Total	**40,830,710**	**14,124,589**	**19,184,954**	**16,003,638**	**9,740,641**	**99,884,532**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	8,758	8,758
Repurchase agreements	9,144,477	3,358,150	-	-	-	12,502,627
Money market deposits	1,294,763	489,529	-	-	-	1,784,292
Deposits from SAMA, net	-	2,306,393	3,471,014	-	-	5,777,407
Customers' deposits:						
Time	21,233,502	3,300,914	13,838	-	-	24,548,254
Savings	1,041,362	-	-	-	-	1,041,362
Demand	-	-	-	-	32,485,210	32,485,210
Other	-	573,748	-	-	1,495,015	2,068,763
Negative fair values of derivatives, net:						
Held for trading	-	-	-	-	444,745	444,745
Held as fair value hedges	-	-	-	-	1,301,327	1,301,327
CSA / EMIR cash margins	-	-	-	-	(1,416,610)	(1,416,610)
Term loans	2,006,169	-	-	-	-	2,006,169
Other liabilities	-	-	-	-	2,001,195	2,001,195
Total equity	**-**	**-**	**-**	**-**	15,331,033	15,331,033
Total	**34,720,273**	**10,028,734**	**3,484,852**	**-**	**51,650,673**	**99,884,532**
Special commission rate sensitivity-On balance sheet	6,110,437	4,095,855	15,700,102	16,003,638	(41,910,032)	-
Special commission rate sensitivity-Off balance sheet	12,687,153	(562,785)	(5,406,488)	(6,717,880)	-	-
Total special commission rate sensitivity gap	18,797,590	3,533,070	10,293,614	9,285,758	(41,910,032)	-
Cumulative special commission rate sensitivity gap	**18,797,590**	**22,330,660**	**32,624,274**	**41,910,032**	**-**	**-**

30. Market risk - continued

The off-balance sheet gap position represents the net notional amounts of derivative financial instruments, which are used to manage special commission rate risk.

ii. Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board of Directors has set limits on currency positions, which are monitored daily. Hedging strategies are also used to ensure that positions and market risks are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as of December 31, 2021 and 2020, on its banking book assets and liabilities and forecasted cash flows. The table depicts the effect of a reasonably possible movement of the currency rates against the SAR based on historical currency rate movements, with other variables held constant, on the consolidated statement of income (due to the change in the fair value of the currency sensitive banking book assets and liabilities). The reasonably possible change is estimated based on the relevant foreign exchange rate movements during the last five years (2017- 2021) (2020: 2016- 2020). A positive effect shows a potential net increase in the consolidated statement of income, whereas a negative effect shows a potential net reduction in the consolidated statement of income.

Currency Exposures as of December 31, 2021	Change in currency rate in %	Effect on Income before provisions for Zakat SAR '000
USD	+0.28/-0.10	+3,097/-1,100
EUR	+18.00/-12.01	-954/+636
GBP	+29.64/-9.75	-268/+91
Currency Exposures as of December 31, 2020	**Change in currency rate in %**	**Effect on Income before provisions for Zakat SAR '000**
USD	+0.36/-0.21	+3,508/-2,078
EUR	+9.47/-9.04	+7/-7
GBP	+15.75%/-10.34	+137/-90

iii. Currency position

The Group manages the exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. As of December 31, 2021 and 2020, the Group had the following significant net exposures denominated in foreign currencies:

	2021 SAR '000 Long / (short)	2020 SAR '000 Long / (short)
US Dollar	1,404,006	972,839
Euro	(1,978)	79
Pound Sterling	(1,112)	870
Japanese Yen	207	199
U.A.E Dirham	34,072	61,071
Others	11,780	102,169

30. Market risk - continued

iv. Equity price risk

Equity price risk refers to the risk of a decrease in fair values of equities, mutual funds and other securities in the Group's investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual investments.

The following table depicts the effect on the Group's investments in equities and mutual funds from a reasonably possible change in relevant indices, with other variables held constant, and the related effect on the Group's net income and shareholders' equity as of December 31, 2021 and 2020. The reasonably possible changes in relevant indices are estimated based on the relevant indices movements during the last five years (2017 - 2021) (2020: 2016 - 2020). A positive effect shows a potential increase in consolidated shareholders' equity, whereas a negative effect shows a potential decrease in consolidated shareholders' equity.

	2021		
Market Indices	**Change in equity price %**	**Effect on Income before provisions for Zakat SAR '000**	**Shareholders' equity Effect SAR '000**
TADAWUL	+13.32%/-43.44%	+15,683/-51,159	+61,320/-200,039
Unquoted	+5.00%/-5.00%	+1,244/-1,244	+1,908/-1,908

	2020		
Market Indices	**Change in equity price %**	**Effect on Income before provisions for Zakat SAR '000**	**Shareholders' equity Effect SAR '000**
TADAWUL	+21.14%/-29.92%	+28,099/-39,772	+104,302/-147,631
Unquoted	+5.00%/-5.00%	+2,358/-2,358	+3,021/-3,021

31. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources, and assets are managed with liquidity in perspective. Management therefore maintains a healthy balance of cash, cash equivalents, and readily marketable securities as of part of its high liquid assets. Management also monitors the asset and liability maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset Liability Committee. A summary report, including any exceptions and remedial actions taken, is submitted regularly to the Asset Liability Committee.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA equal to 7% (2020: 7%) of average demand deposits and 4% (2020: 4%) of average saving and time deposits. In addition to the statutory deposit, the Group also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and balances with SAMA, Saudi Government Development Bonds, or other assets which can be converted into cash within a period not exceeding 30 days. The Group has the ability to raise additional funds through repo facilities with SAMA against Saudi Government Development Bonds up to 98% of the nominal value of Saudi Riyal denominated bonds held.

The Bank has an established Liquidity Risk Appetite that is approved by Board of Directors and that is reviewed monthly through ALCO and with quarterly reports to the Board Risk Committee (BRC). The Risk Appetite statement is based on a range of key monitoring metrics, including the short-term Liquidity Coverage Ratio and the long-term Net Stable Funding Ratio along with Liquidity Gap limits giving due consideration to stress factors relating to both

31. Liquidity risk - continued

the market in general and Bank specific conditions. The Bank has also established a comprehensive Contingency Funding Plan (CFP) using early warning monitoring metrics to forewarn Senior Management of impending stress and which establishes a clear allocation of roles and clear lines of management responsibility to address any liquidity stress situations.

a) Contractual maturity profile of assets and liabilities.

The tables below summarize the contractual maturity profile of the Group's assets, liabilities, and equity as of December 31, 2021 and 2020. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date, and do not take into account the effective maturities as indicated by the Group's deposit retention history. The amounts disclosed for derivatives, and commitments and contingencies are not indicative of future payment obligations.

	2021 SAR '000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity / on demand**	**Total**
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	754,291	754,291
Balances with SAMA	2,290,000	-	-	-	2,857,388	5,147,388
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	2,355,778	2,355,778
Money market placements	3,090,000	-	-	-	-	3,090,000
Investments:						
Held at FVTPL	-	-	-	-	142,656	142,656
Held at FVOCI	722,676	2,080,551	8,379,710	17,160,135	356,023	28,699,095
Positive fair values of derivatives, net:						
Held for trading	-	333,092	-	-	-	333,092
Associated company put option	-	-	-	-	163,602	163,602
CSA / EMIR cash margins	-	167,277	-	-	-	167,277
Loans and advances, net:						
Commercial and others	11,559,737	14,174,178	10,131,878	6,545,396	-	42,411,189
Overdrafts	5,411,443	-	-	-	-	5,411,443
Consumer	1,714,578	1,296,861	4,833,859	2,135,184	-	9,980,482
Investments in associates	-	-	-	-	883,700	883,700
Other real estate	-	-	-	-	451,981	451,981
Property and equipment, net	-	-	-	-	999,548	999,548
Information Technology intangible assets, net	-	-	-	-	350,984	350,984
Other assets, net	-	-	-	-	245,529	245,529
Total	**24,788,434**	**18,051,959**	**23,345,447**	**25,840,715**	**9,561,480**	**101,588,035**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,651,827	3,733,922	-	-	-	13,385,749
Money market deposits	1,186,406	1,046,636	-	-	-	2,233,042
Deposits from SAMA, net	2,500,000	-	3,666,655	-	-	6,166,655
Customers' deposits:						
Time	17,504,391	5,024,209	2,616,607	-	-	25,145,207
Savings	-	-	-	-	2,147,244	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,270,468	2,270,468
Negative fair values of derivatives, net:						
Held for trading	-	330,973	-	-	-	330,973
Held as fair value hedges	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	(787,126)	-	-	-	(787,126)
Other liabilities	1,277,500	347,351	124,072	-	-	1,748,923
Total equity	**-**	**-**	**-**	**-**	**16,301,475**	**16,301,475**
Total	**32,120,124**	**10,382,265**	**6,407,334**	**-**	**52,678,312**	**101,588,035**

31. Liquidity risk - continued

	2020 SAR '000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity / on demand	Total
Assets						
Cash and balances with SAMA:						
Cash on hand	-	-	-	-	704,645	704,645
Balances with SAMA	4,610,000	-	-	-	3,008,845	7,618,845
Due from banks and other financial institutions, net:						
Current accounts	-	-	-	-	1,666,654	1,666,654
Money market placements	500,088	-	-	-	-	500,088
Investments:						
Held at FVTPL	-	-	-	-	180,115	180,115
Held at FVOCI	2,454,839	1,605,776	12,228,254	13,671,040	373,819	30,333,728
Positive fair values of derivatives, net:						
Held for trading	-	443,129	-	-	-	443,129
Associated company put option	-	-	-	-	336,575	336,575
CSA / EMIR cash margins	-	238,645	-	-	-	238,645
Loans and advances, net:						
Commercial and others	10,811,652	14,938,931	8,479,392	6,158,902	-	40,388,877
Overdrafts	3,590,815	-	-	-	-	3,590,815
Consumer	2,113,106	1,639,890	5,248,823	2,092,383	-	11,094,202
Investments in associates	-	-	-	-	845,744	845,744
Other real estate	-	-	-	-	446,678	446,678
Property and equipment, net	-	-	-	-	1,064,660	1,064,660
Information Technology intangible assets, net	-	-	-	-	281,780	281,780
Other assets, net	-	149,352	-	-	-	149,352
Total	**24,080,500**	**19,015,723**	**25,956,469**	**21,922,325**	**8,909,515**	**99,884,532**
Liabilities and equity						
Due to banks and other financial institutions, net:						
Current accounts	-	-	-	-	8,758	8,758
Repurchase agreements	9,144,477	3,358,150	-	-	-	12,502,627
Money market deposits	1,294,763	489,529	-	-	-	1,784,292
Deposits from SAMA, net	-	2,306,393	3,471,014	-	-	5,777,407
Customers' deposits:						
Time	18,482,923	3,050,883	3,014,448	-	-	24,548,254
Savings	-	-	-	-	1,041,362	1,041,362
Demand	-	-	-	-	32,485,210	32,485,210
Other	-	-	-	-	2,068,763	2,068,763
Negative fair values of derivatives, net:						
Held for trading	-	444,745	-	-	-	444,745
Held as fair value hedges	-	1,301,327	-	-	-	1,301,327
CSA / EMIR cash margins	-	(1,416,610)	-	-	-	(1,416,610)
Term loans	6,169	2,000,000	-		-	2,006,169
Other liabilities	210,554	1,542,497	248,144	-	-	2,001,195
Total equity	-	-	-	-	15,331,033	15,331,033
Total	**29,138,886**	**13,076,914**	**6,733,606**	**-**	**50,935,126**	**99,884,532**

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash and balances with SAMA, due from banks and other financial institutions, investments, and loans and advances. The Group regularly monitors the maturity profile to ensure adequate liquidity is maintained. The cumulative maturities of commitments and contingencies is disclosed in note 20(c)(i).

31. Liquidity risk - continued

b) Analysis of financial liabilities by remaining undiscounted maturities

The tables below summarize the estimated maturity profile of the Group's financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted future repayment obligations. As special commission payment estimates up to the contractual maturities are included in the tables, the totals do not match the amounts included in the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date that the Group could be required to pay and the tables therefore do not reflect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of financial liabilities is as follows:

	2021 SAR '000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed Maturity / on demand**	**Total**
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	7,162	7,162
Repurchase agreements	9,655,326	3,739,336	-	-	-	13,394,662
Money market deposits	1,189,194	1,056,474	-	-	-	2,245,668
Deposits from SAMA	2,500,000	-	3,960,069	-	-	6,460,069
Customers' deposits:						
Time	17,522,852	5,050,714	2,748,831	-	-	25,322,397
Savings	-	-	-	-	2,147,244	2,147,244
Demand	-	-	-	-	31,951,963	31,951,963
Other	-	-	-	-	2,270,468	2,270,468
Negative fair values of derivatives, net:						
Held for trading	-	330,973	-	-	-	330,973
Held as fair value hedges	-	686,300	-	-	-	686,300
CSA / EMIR cash margins	-	(787,126)	-	-	-	(787,126)
Total	**30,867,372**	**10,076,671**	**6,708,900**	**-**	**36,376,837**	**84,029,780**
Derivatives	131,697	474,941	1,600,340	995,629	-	3,202,607
Total	**30,999,069**	**10,551,612**	**8,309,240**	**995,629**	**36,376,837**	**87,232,387**

	2020 SAR '000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed Maturity / on demand**	**Total**
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	8,758	8,758
Repurchase agreements	9,149,964	3,366,210	-	-	-	12,516,174
Money market deposits	1,297,806	494,131	-	-	-	1,791,937
Deposits from SAMA	-	2,322,722	3,860,069	-	-	6,182,791
Customers' deposits:						
Time	18,502,231	3,066,947	3,170,741	-	-	24,739,919
Savings	-	-	-	-	1,041,362	1,041,362
Demand	-	-	-	-	32,485,210	32,485,210
Other	-	-	-	-	2,068,763	2,068,763
Negative fair values of derivatives, net:						
Held for trading	-	444,745	-	-	-	444,745
Held as fair value hedges	-	1,301,327	-	-	-	1,301,327
CSA / EMIR cash margins	-	(1,416,610)	-	-	-	(1,416,610)
Term loans	6,184	2,019,300	-	-	-	2,025,484
Total	**28,956,185**	**11,598,772**	**7,030,810**	**-**	**35,604,093**	**83,189,860**
Derivatives	98,700	376,038	1,438,993	1,084,901	-	2,998,632
Total	**29,054,885**	**11,974,810**	**8,469,803**	**1,084,901**	**35,604,093**	**86,188,492**

32. Credit and financial risk management

The Group's Board of Directors is responsible for establishing Corporate Governance processes and approving the Risk Appetite and related risk management framework. It is also responsible for approving and implementing policies to ensure compliance with SAMA guidelines, accounting and reporting standards and best industry practices including Basel guidelines. The Board of Directors has approved the Group's Risk Management Guide Policy as an overarching Risk Policy under which the Group has a suite of policies including a Risk Appetite Framework Policy, Credit Policy Guide, Treasury Policy Guide, Stress Test Policy, Internal Capital Adequacy Assessment Plan Policy, Operational Risk Policy, Fraud Risk Policies, Information Security Policies, among others.

The Board of Directors has also approved the Group's comprehensive IFRS 9 Governance Framework Policy, addressing the Group's IFRS 9 Approach and Methodology Policy, which is supplemented with additional management level policies including an IFRS 9 Data Management and Control Framework Policy, and the IFRS 9 governance framework, along with standard operating and accounting procedures.

The Board of Directors is supported by the Board Risk Committee, a committee of the Board, responsible for recommending policies for Board approval and for monitoring risks within the Group. At the management level, the Group operates various committees including an Enterprise Risk Management Committee, a Credit Committee, and an Asset Liability Committee (ALCO), which are responsible for various areas of risk management. A management level Expected Credit Loss (ECL) Committee linked to the Group's IFRS 9 Governance and Framework Policy also operates which is responsible for all aspects of IFRS 9 including expected credit losses.

Other management level committees include the Operational Risk Management Committee, Stress Testing Committee, Financial Fraud Control Committee, Business Continuity Management Committee, Information Security Steering Committee, and the Structured Solution Approval Committee.

At the departmental level, the Group has a Risk Management Group headed by a Chief Risk Officer who is assisted by assistant general managers in charge of Risk Management, Credit Risk Review, Credit Administration, Collections and other functions.

a) Credit Risk

The Group manages its exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in customer lending activities that lead to loans and advances, and other investment activities. There is also credit risk in off consolidated statement of financial position financial instruments, such as loan commitments and financial guarantee contracts. The Group assesses the Probability of Default (PD) of counterparties using internal rating tools which can be mapped to external ratings where available. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken. The Group assesses wholesale counterparties using the same techniques as for its lending activities to clients.

Concentrations of credit risk arise when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group has a comprehensive Board approved framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Group seeks to control credit risk by monitoring credit exposures, limiting concentration risks, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are regularly monitored. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

32. Credit and financial risk management - continued

b) Credit Risk management

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations, businesses, or economic sectors.

The Group uses a credit classification system as a tool to assist in managing the quality of credit risk within the lending portfolio. It maintains classification grades that differentiate between portfolios and allocates expected credit loss allowances. The Group determines each individual borrower's grade based on specific objective and subjective financial and business assessment criteria covering debt service, profitability, liquidity, capital structure, industry, management quality, and company standing. The Group conducts periodic quality classification exercises over all of its existing borrowers and the results of these exercises are validated by the independent risk management unit established for that purpose. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, external economic environment, emerging best practices, and regulatory guidance.

c) Credit Risk Mitigation ("CRM")

The Group in the ordinary course of lending activities holds collateral as security for Credit Risk Mitigation (CRM) on its loans and advances. The collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets. The collateral is held mainly against commercial and similar loans and is managed against relevant exposures at their net realizable value. Management monitors the market value of collateral, requests additional collateral in accordance with underlying agreements, and assesses the adequacy of the allowance for credit losses. The Group also seeks additional collateral from counterparties when impairment indicators are observed.

(i) The estimated fair value of collateral held as CRM by the Group for total loans and advances is approximately SAR 72.2 billion (2020: SAR 50.5 billion). The amount of real estate, local and international equities and other cash deposits held as CRM for Stage 3 – performing and non-performing exposures is as follows:

	Exposure SAR '000	Credit Risk Mitigation SAR '000	ECL SAR '000
December 31, 2021	2,692,122	2,605,039	1,199,572
December 31, 2020	2,458,028	2,317,269	1,068,973

(ii) The amount of collateral held as security for credit-impaired loans along with collateral coverage as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Less than 50%	9,679	4,172
51% to 70%	412,059	447,509
More than 70%	2,183,301	1,865,588
Total	**2,605,039**	**2,317,269**

32. Credit and financial risk management - continued

(iii) The Group, in the ordinary course of business, acquires real estate against settlement of loans and advances. The Group acquires the real estate with an intention to sell. The real estate acquired is presented as 'Other real estate' in the consolidated statement of financial position. The movement of Other real estate for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Balance at the beginning of the year	446,678	457,679
Acquisitions during the year	8,803	-
Disposals during the year	(35,000)	(11,001)
Reversal for real estate losses (note 40a)	31,500	-
Balance at the end of the year	**451,981**	**446,678**

d) Credit Risk disclosures

The Group's credit quality for financial assets and financial guarantee contracts is included in note 32o.

The debt securities included in the investment portfolio are due mainly from corporates, banks, financial institutions, and sovereigns. An analysis of the Group's investments by type of counterparty is included in note 6c.

Information of the credit quality for loans and advances is provided in note 7d.

Economic sector risk concentrations for loans and advances are provided in note 7e.

The Group's credit risk relating to derivative financial instruments is included in notes 11 and 29.

An analysis of the Group's financial guarantee contracts by type of counterparty is included in notes 20(c)(ii).

The Group's credit exposure by business segment is included in note 28d.

The Group's distribution of geographic concentration is provided in note 29.

The Group's total credit risk exposure and the relative risk weighted assets is included in note 35a.

e) Credit analysis of investments held at FVTPL

The Group's investments held at FVTPL are comprised of Mutual fund investments and other securities which are unrated. Refer to note 6a.

f) Credit risk grades

The Group allocates exposures to a credit risk grade based on an array of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of a risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

32. Credit and financial risk management - continued

Each non-consumer exposure is allocated a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves the use of the following data:

Non-Consumer exposures	Consumer exposures	All exposures
- Information obtained during periodic reviews of customer files – e.g. audited financial statements, management accounts, budgets, and projections. Examples of areas of particular focus include gross profit margins, financial leverage ratios, debt service coverages, compliance with covenants, quality management, and senior management changes. - Data from credit reference agencies, press articles, and changes in external credit ratings - Quoted bond and credit default swap (CDS) prices for the borrower where available - Actual and expected significant changes in the political, regulatory, and technological environment of the borrower, or in its business activities	- Internally collected data and customer behavior – e.g. utilization of credit card facilities - External data from credit reference agencies including industry-standard credit scores - Affordability metrics	- Payment record – this includes overdue status as well as a range of variables about payment ratios - Utilization of the granted limit - Requests for and granting of forbearance - Existing and forecast changes in business, financial and economic conditions

g) Generating the term structure for the Probability of Default (PD)

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures and analyzes the information by type of product and borrower as well as by credit risk grading. For some portfolios, information sourced from external credit reference agencies is also used.

The Group employs models developed based on the analysis of the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time due to the impact of macro-economic factors. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. For most exposures, key macro-economic indicators include GDP growth and oil prices.

Based on a variety of external actual and forecasted information, the Group formulates a base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of the PD term-structures.

The 12 month PD for on and off balance sheet exposures in grades 1 to 6 and unrated exposures range from 0.03% to 7.35% (2020: 0.03% to 14.93%). The 12 month PD for grade 7 – Special Mention is 18.89% (2020: 23.55%).

32. Credit and financial risk management - continued

h) Determining whether credit risk has increased significantly

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessments, including forward-looking information.

The criteria for determining whether credit risk has increased significantly varies by portfolio and includes quantitative as well as qualitative factors, including a backstop based on delinquency. One of the key quantitative indicators used by the Group is the relative downgrade of the internal rating of a borrower since origination and thereby the consequent change in the PD.

Using credit judgment and, where possible, relevant historical experience, the Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and for which the effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The qualitative indicators include specific high risk rating grades, cross facility defaults, and renegotiation of loans to customers in financial difficulty (referred to as forbearance).

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in the expected credit loss allowance resulting from transfers between 12-month PD (Stage 1) and lifetime PD (Stages 2 or 3).

The Group uses three main components to measure ECL, which are Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Group has leveraged existing regulatory practices and SAMA guidance to develop the methodology for model inputs which are adjusted when and where necessary to comply with IFRS 9 requirements.

Financial assets and financial guarantee contracts reflecting a significant increase in credit risk are classified in Stage 2 and the Group recognizes loss allowances at an amount equal to lifetime expected credit losses, reflecting a lifetime expected PD that represents the probability of default over the remaining life of the financial asset. The allowances for Stage 2 are higher than for Stage 1, reflecting the impact of a longer time horizon compared to a 12-month horizon used for the allowance in Stage 1.

i) Definition of Default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days.

Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

32. Credit and financial risk management - continued

In assessing whether a borrower is in default the Group considers indicators that are:

- qualitative, e.g. breaches of covenants;
- quantitative, e.g. overdue status and non-payment of another obligation of the same borrower; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. IFRS 9 does not define the term 'default', but instead requires each entity to do so. For financial reporting, the Group has leveraged existing regulatory practices and SAMA definition of default which are adjusted when and where necessary to comply with IFRS 9 requirements.

The Group recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a PD of 100% and recoverable cash flows on the asset. These financial assets are credit impaired and are classified under Stage 3.

j) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to a current or potential credit deterioration of the credit of the customer. An existing loan for which the terms have been modified may be derecognized and the renegotiated loan is recognized as a new loan at fair value in accordance with the Group's policies.

The Group may also renegotiate loans to customers in financial difficulty to maximize collection opportunities and minimize the risk of default. Loan forbearance is granted on a selective basis:

- if there is a high risk of default; or
- if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually can include extending the maturity, changing the timing of commission and/or principal payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect special commission and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk. A customer needs to demonstrate consistently good payment behavior over a period of time before the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL. The Group considers a period of 12 months as a curing period to move assets from loss allowance measurement at Lifetime ECL (Stage 2 and 3) to a 12-month ECL (Stage 1).

k) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed models and external benchmarks. They are adjusted to reflect forward-looking information as described above.

32. Credit and financial risk management - continued

PD estimates are estimates at a certain date, which are calculated based on internal rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this can lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated repayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties as well as external benchmarks. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and the net recovery amount of any collateral that is integral to the financial asset. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or financial guarantee.

For retail overdrafts and other facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period which may be longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect. This contractual right may not be enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These can include a reduction in limits, or cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include the instrument type, credit risk rating, time to maturity, collateral type, industry; and geographic location of the borrower. Regular reviews are also conducted to ensure that exposures within a particular portfolio remain appropriately homogeneous.

For portfolios where the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark

	PD	LGD
Due from banks and other financial institutions	Moody's default study	SAMA LGD Estimates
Investments	Moody's default study	SAMA LGD Estimates

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime PD at the reporting date with the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

32. Credit and financial risk management - continued

l) Incorporation of forward looking information

Based on a consideration of a variety of external actual and forecasted information, the Group formulates a base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities and selected private sector forecasters.

The current scenario represents a most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and losses.

The Group identifies key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and other credit losses.

Predicted relationships between the key indicators and default and loss rates on the portfolios of financial assets and financial guarantee contracts have been developed based on analyzing historical data from 2013 onwards.

Sensitivity of allowance for credit losses:

A sensitivity analysis has been conducted on the macro-economic scenarios including GDP and oil prices in order to assess the potential change in ECL.

The following table summarizes the results of this sensitivity analysis as of December 31, 2021 and 2020 showing the effect of more optimistic and more pessimistic scenarios on ECL:

2021 SAR '000	Due from banks and other financial institutions	Investments - Debt securities	Loans and advances	Financial guarantee contracts	Other assets – customer and other receivables	Total
Most likely	8,632	26,185	1,965,233	204,131	94	2,204,275
More optimistic (Upside)	7,908	23,991	1,894,361	187,778	83	2,114,121
More pessimistic (Downside)	9,016	27,351	2,002,909	212,824	98	2,252,198

32. Credit and financial risk management - continued

2020 SAR '000	Due from banks and other financial institutions	Investments - Debt securities	Loans and advances	Financial guarantee contracts	Other assets – customer and other receivables	Total
Most likely	3,202	31,385	1,755,424	210,554	275	2,000,840
More optimistic (Upside)	2,653	29,638	1,470,400	190,216	261	1,693,168
More pessimistic (Downside)	3,260	31,570	1,764,589	212,713	289	2,012,421

The following table summarizes the results of sensitivity on the total ECL as of December 31, 2021 showing the effect of changes in oil prices and GDP:

	ECL SAR '000
Decrease in Oil Price and GDP by $10 per barrel and 4% respectively	2,424,995
Increase in Oil Price and GDP by $10 per barrel and 4% respectively	2,114,121

COVID-19 overlays

The prevailing economic conditions do require the Group to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of ECL or revisions to the scenario probabilities currently being used by the Group. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Group has therefore recognized overlays of SR 225.3 million as of December 31, 2021 (2020: SAR 198.6 million). The Group will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

m) Offsetting financial assets and financial liabilities

The table set out below includes financial assets and financial liabilities as of December 31, 2021 and 2020 that are offset in the Group's consolidated statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

	2021 SAR'000		
	Gross assets / (liabilities) before offset	Offset with gross (assets) / liabilities	Net assets / (liabilities) recognized
Positive fair values of derivatives (note 11c)	1,629,037	(995,066)	633,971
Negative fair values of derivatives (note 11c)	(1,225,213)	995,066	(230,147)

32. Credit and financial risk management - continued

	2020 SAR'000		
	Gross assets / (liabilities) before offset	Offset with gross (assets) / liabilities	Net assets / (liabilities) recognized
Positive fair values of derivatives (note 11c)	2,575,796	(1,557,447)	1,018,349
Negative fair values of derivatives (note 11c)	(1,886,909)	1,557,447	(329,462)

n) Reconciliations of gross carrying amounts and allowances for credit losses

Combined – Financial Assets and Financial guarantee contracts
A combined reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for all financial assets and financial guarantee contracts, for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2019	**91,333,369**	**5,666,420**	**3,745,623**	**100,745,412**	**520,621**	**211,545**	**1,922,949**	**2,655,115**
Transfers from Stage 1 to Stage 2	(485,532)	485,532	-	-	(12,667)	62,022	-	49,355
Transfers from Stage 1 to Stage 3	(391,515)	-	391,515	-	(4,322)	-	200,395	196,073
Transfers from Stage 2 to Stage 1	844,194	(844,194)	-	-	12,679	(24,860)	-	(12,181)
Transfers from Stage 2 to Stage 3	-	(59,924)	59,924	-	-	(11,753)	33,655	21,902
Transfers from Stage 3 to Stage 1	34,313	-	(34,313)	-	461	-	(12,118)	(11,657)
Transfers from Stage 3 to Stage 2	-	56,315	(56,315)	-	-	5,780	(27,604)	(21,824)
Post-model overlays (note 41)	-	-	-	-	104,801	32,879	60,992	198,672
Changes in exposures and re-measurements	2,307,768	(767,113)	(141,382)	1,399,273	(45,285)	(12,769)	87,127	29,073
Net movement for the year	2,309,228	(1,129,384)	219,429	1,399,273	55,667	51,299	342,447	449,413
Write-offs, net	-	-	(1,103,688)	(1,103,688)	-	-	(1,103,688)	(1,103,688)
Balances as of December 31, 2020	**93,642,597**	**4,537,036**	**2,861,364**	**101,040,997**	**576,288**	**262,844**	**1,161,708**	**2,000,840**
Transfers from Stage 1 to Stage 2	(1,838,938)	1,838,938	-	-	(20,813)	109,356	-	88,543
Transfers from Stage 1 to Stage 3	(133,000)	-	133,000	-	(1,825)	-	65,191	63,366
Transfers from Stage 2 to Stage 1	1,011,468	(1,011,468)	-	-	5,038	(20,400)	-	(15,362)
Transfers from Stage 2 to Stage 3	-	(237,627)	237,627	-	-	(58,856)	114,217	55,361
Transfers from Stage 3 to Stage 1	13,792	-	(13,792)	-	66	-	(4,913)	(4,847)
Transfers from Stage 3 to Stage 2	-	2,822	(2,822)	-	-	520	(1,724)	(1,204)
Post-model overlays (note 41)	-	-	-	-	(27,245)	47,027	6,660	26,442
Changes in exposures and re-measurements	5,522,290	(238,047)	(78,200)	5,206,043	(80,139)	121,987	(6,089)	35,759
Net movement for the year	4,575,612	354,618	275,813	5,206,043	(124,918)	199,634	173,342	248,058
Write-offs, net	-	-	(44,623)	(44,623)	-	-	(44,623)	(44,623)
Balances as of December 31, 2021	**98,218,209**	**4,891,654**	**3,092,554**	**106,202,417**	**451,370**	**462,478**	**1,290,427**	**2,204,275**

32. Credit and financial risk management - continued

Due from banks and other financial institutions

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses due from banks and other financial institutions for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2019	**3,027,595**	**3,008**	**-**	**3,030,603**	**1,730**	**358**	**-**	**2,088**
Transfers from Stage 1 to Stage 2	(801)	801	-	-	(27)	95	-	68
Transfers from Stage 2 to Stage 1	3,008	(3,008)	-	-	103	(358)	-	(255)
Changes in exposures and re-measurements	(860,786)	127	-	(860,659)	1,286	15	-	1,301
Net movement for the year	(858,579)	(2,080)	-	(860,659)	1,362	(248)	-	1,114
Balances as of December 31, 2020	**2,169,016**	**928**	**-**	**2,169,944**	**3,092**	**110**	**-**	**3,202**
Changes in exposures and re-measurements	3,284,337	129	-	3,284,466	5,373	57	-	5,430
Balances as of December 31, 2021	**5,453,353**	**1,057**	**-**	**5,454,410**	**8,465**	**167**	**-**	**8,632**

Investments – debt securities

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for debt securities for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2019	**25,747,421**	**-**	**-**	**25,747,421**	**29,659**	**-**	**-**	**29,659**
Changes in exposures and re-measurements	4,212,488	-	-	4,212,488	1,726	-	-	1,726
Balances as of December 31, 2020	**29,959,909**	**-**	**-**	**29,959,909**	**31,385**	**-**	**-**	**31,385**
Changes in exposures and re-measurements	(1,616,837)	-	-	(1,616,837)	(5,200)	-	-	(5,200)
Balances as of December 31, 2021	**28,343,072**	**-**	**-**	**28,343,072**	**26,185**	**-**	**-**	**26,185**

32. Credit and financial risk management - continued

Total loans and advances

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for total loans and advances for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2019	**51,159,717**	**4,998,855**	**3,359,920**	**59,518,492**	**379,511**	**184,512**	**1,841,562**	**2,405,585**
Transfers from Stage 1 to Stage 2	(453,281)	453,281	-	-	(12,474)	60,783	-	48,309
Transfers from Stage 1 to Stage 3	(353,398)	-	353,398	-	(3,881)	-	182,922	179,041
Transfers from Stage 2 to Stage 1	784,268	(784,268)	-	-	9,079	(19,768)	-	(10,689)
Transfers from Stage 2 to Stage 3	-	(57,415)	57,415	-	-	(11,586)	32,478	20,892
Transfers from Stage 3 to Stage 1	34,313	-	(34,313)	-	461	-	(12,118)	(11,657)
Transfers from Stage 3 to Stage 2	-	56,062	(56,062)	-	-	5,770	(27,484)	(21,714)
Post-model overlays (note 41)	-	-	-	-	104,801	32,879	60,992	198,672
Changes in exposures and re-measurements	(978,934)	(487,910)	(118,642)	(1,585,486)	(34,201)	(9,435)	94,309	50,673
Net movement for the year	(967,032)	(820,250)	201,796	(1,585,486)	63,785	58,643	331,099	453,527
Write-offs, net	-	-	(1,103,688)	(1,103,688)	-	-	(1,103,688)	(1,103,688)
Balances as of December 31, 2020	**50,192,685**	**4,178,605**	**2,458,028**	**56,829,318**	**443,296**	**243,155**	**1,068,973**	**1,755,424**
Transfers from Stage 1 to Stage 2	(1,645,702)	1,645,702	-	-	(15,679)	84,009	-	68,330
Transfers from Stage 1 to Stage 3	(130,078)	-	130,078	-	(1,817)	-	64,899	63,082
Transfers from Stage 2 to Stage 1	953,809	(953,809)	-	-	4,480	(17,217)	-	(12,737)
Transfers from Stage 2 to Stage 3	-	(236,965)	236,965	-	-	(58,811)	113,908	55,097
Transfers from Stage 3 to Stage 1	13,792	-	(13,792)	-	66	-	(4,913)	(4,847)
Transfers from Stage 3 to Stage 2	-	2,303	(2,303)	-	-	501	(1,542)	(1,041)
Post-model overlays (note 41)	-	-	-	-	(27,245)	47,027	6,660	26,442
Changes in exposures and re-measurements	3,486,350	(430,467)	(72,231)	2,983,652	(61,033)	124,929	(3,790)	60,106
Net movement for the year	2,678,171	26,764	278,717	2,983,652	(101,228)	180,438	175,222	254,432
Write-offs, net	-	-	(44,623)	(44,623)	-	-	(44,623)	(44,623)
Balances as of December 31, 2021	**52,870,856**	**4,205,369**	**2,692,122**	**59,768,347**	**342,068**	**423,593**	**1,199,572**	**1,965,233**

32. Credit and financial risk management - continued

Loans and advances – commercial, overdrafts, and other loans

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for commercial, overdraft, and other loans for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2019	**37,911,065**	**4,793,894**	**3,095,458**	**45,800,417**	**258,589**	**91,842**	**1,663,061**	**2,013,492**
Transfers from Stage 1 to Stage 2	(350,715)	350,715	-	-	(8,625)	17,720	-	9,095
Transfers from Stage 1 to Stage 3	(283,056)	-	283,056	-	(1,603)	-	134,473	132,870
Transfers from Stage 2 to Stage 1	745,351	(745,351)	-	-	7,433	(5,354)	-	2,079
Transfers from Stage 2 to Stage 3	-	(33,326)	33,326	-	-	(2,180)	15,843	13,663
Transfers from Stage 3 to Stage 1	23,448	-	(23,448)	-	186	-	(4,512)	(4,326)
Transfers from Stage 3 to Stage 2	-	50,011	(50,011)	-	-	3,463	(23,329)	(19,866)
Post-model overlays (note 41)	-	-	-	-	87,112	29,670	60,992	177,774
Changes in exposures and re-measurements	1,079,317	(387,094)	18,097	710,320	(3,214)	44,521	164,957	206,264
Net movement for the year	1,214,345	(765,045)	261,020	710,320	81,289	87,840	348,424	517,553
Write-offs, net	-	-	(1,035,847)	(1,035,847)	-	-	(1,035,847)	(1,035,847)
Balances as of December 31, 2020	**39,125,410**	**4,028,849**	**2,320,631**	**45,474,890**	**339,878**	**179,682**	**975,638**	**1,495,198**
Transfers from Stage 1 to Stage 2	(1,590,421)	1,590,421	-	-	(14,162)	73,870	-	59,708
Transfers from Stage 1 to Stage 3	(46,077)	-	46,077	-	(65)	-	8,414	8,349
Transfers from Stage 2 to Stage 1	931,892	(931,892)	-	-	2,969	(10,727)	-	(7,758)
Transfers from Stage 2 to Stage 3	-	(227,743)	227,743	-	-	(54,869)	107,626	52,757
Transfers from Stage 3 to Stage 1	9,559	-	(9,559)	-	20	-	(2,255)	(2,235)
Post-model overlays (note 41)	-	-	-	-	(20,547)	49,863	6,660	35,976
Changes in exposures and re-measurements	4,503,482	(334,594)	7,991	4,176,879	(25,251)	170,230	42,163	187,142
Net movement for the year	3,808,435	96,192	272,252	4,176,879	(57,036)	228,367	162,608	333,939
Write-offs, net	-	-	(12,342)	(12,342)	-	-	(12,342)	(12,342)
Balances as of December 31, 2021	**42,933,845**	**4,125,041**	**2,580,541**	**49,639,427**	**282,842**	**408,049**	**1,125,904**	**1,816,795**

32. Credit and financial risk management - continued

Loans and advances – consumer loans

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for consumer loans for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2019	**13,248,652**	**204,961**	**264,462**	**13,718,075**	**120,922**	**92,670**	**178,501**	**392,093**
Transfers from Stage 1 to Stage 2	(102,566)	102,566	-	-	(3,849)	43,063	-	39,214
Transfers from Stage 1 to Stage 3	(70,342)	-	70,342	-	(2,278)	-	48,449	46,171
Transfers from Stage 2 to Stage 1	38,917	(38,917)	-	-	1,646	(14,414)	-	(12,768)
Transfers from Stage 2 to Stage 3	-	(24,089)	24,089	-	-	(9,406)	16,635	7,229
Transfers from Stage 3 to Stage 1	10,865	-	(10,865)	-	275	-	(7,606)	(7,331)
Transfers from Stage 3 to Stage 2	-	6,051	(6,051)	-	-	2,307	(4,155)	(1,848)
Post-model overlays (note 41)	-	-	-	-	17,689	3,209	-	20,898
Changes in exposures and re-measurements	(2,058,251)	(100,816)	(136,739)	(2,295,806)	(30,987)	(53,956)	(70,648)	(155,591)
Net movement for the year	(2,181,377)	(55,205)	(59,224)	(2,295,806)	(17,504)	(29,197)	(17,325)	(64,026)
Write-offs, net	-	-	(67,841)	(67,841)	-	-	(67,841)	(67,841)
Balances as of December 31, 2020	**11,067,275**	**149,756**	**137,397**	**11,354,428**	**103,418**	**63,473**	**93,335**	**260,226**
Transfers from Stage 1 to Stage 2	(55,281)	55,281	-	-	(1,517)	10,139	-	8,622
Transfers from Stage 1 to Stage 3	(84,001)	-	84,001	-	(1,752)	-	56,485	54,733
Transfers from Stage 2 to Stage 1	21,917	(21,917)	-	-	1,511	(6,490)	-	(4,979)
Transfers from Stage 2 to Stage 3	-	(9,222)	9,222	-	-	(3,942)	6,282	2,340
Transfers from Stage 3 to Stage 1	4,233	-	(4,233)	-	46	-	(2,658)	(2,612)
Transfers from Stage 3 to Stage 2	-	2,303	(2,303)	-	-	501	(1,542)	(1,041)
Post-model overlays (note 41)	-	-	-	-	(6,698)	(2,836)	-	(9,534)
Changes in exposures and re-measurements	(1,017,132)	(95,873)	(80,222)	(1,193,227)	(35,782)	(45,301)	(45,953)	(127,036)
Net movement for the year	(1,130,264)	(69,428)	6,465	(1,193,227)	(44,192)	(47,929)	12,614	(79,507)
Write-offs, net	-	-	(32,281)	(32,281)	-	-	(32,281)	(32,281)
Balances as of December 31, 2021	**9,937,011**	**80,328**	**111,581**	**10,128,920**	**59,226**	**15,544**	**73,668**	**148,438**

32. Credit and financial risk management - continued

Financial guarantee contracts

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for financial guarantee contracts for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2019	**11,366,900**	**664,557**	**385,703**	**12,417,160**	**109,335**	**26,675**	**81,387**	**217,397**
Transfers from Stage 1 to Stage 2	(31,450)	31,450	-	-	(166)	1,144	-	978
Transfers from Stage 1 to Stage 3	(38,117)	-	38,117	-	(441)	-	17,473	17,032
Transfers from Stage 2 to Stage 1	56,918	(56,918)	-	-	3,497	(4,734)	-	(1,237)
Transfers from Stage 2 to Stage 3	-	(2,509)	2,509	-	-	(167)	1,177	1,010
Transfers from Stage 3 to Stage 2	-	253	(253)	-	-	10	(120)	(110)
Changes in exposures and re-measurements	(106,960)	(279,330)	(22,740)	(409,030)	(13,985)	(3,349)	(7,182)	(24,516)
Net movement for the year	(119,609)	(307,054)	17,633	(409,030)	(11,095)	(7,096)	11,348	(6,843)
Balances as of December 31, 2020	**11,247,291**	**357,503**	**403,336**	**12,008,130**	**98,240**	**19,579**	**92,735**	**210,554**
Transfers from Stage 1 to Stage 2	(193,236)	193,236	-	-	(5,134)	25,347	-	20,213
Transfers from Stage 1 to Stage 3	(2,922)	-	2,922	-	(8)	-	292	284
Transfers from Stage 2 to Stage 1	57,659	(57,659)	-	-	558	(3,183)	-	(2,625)
Transfers from Stage 2 to Stage 3	-	(662)	662	-	-	(45)	309	264
Transfers from Stage 3 to Stage 2	-	519	(519)	-	-	19	(182)	(163)
Changes in exposures and re-measurements	269,178	192,291	(5,969)	455,500	(19,098)	(2,999)	(2,299)	(24,396)
Net movement for the year	130,679	327,725	(2,904)	455,500	(23,682)	19,139	(1,880)	(6,423)
Balances as of December 31, 2021	**11,377,970**	**685,228**	**400,432**	**12,463,630**	**74,558**	**38,718**	**90,855**	**204,131**

32. Credit and financial risk management - continued

Other assets – customer and other receivables

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for customer and other receivables, included in other assets, for the years ended December 31, 2021 and 2020 is summarized as follows:

	Gross Carrying Amounts SAR '000				Allowances for credit losses SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances as of December 31, 2019	**31,736**	**-**	**-**	**31,736**	**386**	**-**	**-**	**386**
Changes in exposures and re-measurements	41,960	-	-	41,960	(111)	-	-	(111)
Balances as of December 31, 2020	**73,696**	**-**	**-**	**73,696**	**275**	**-**	**-**	**275**
Changes in exposures and re-measurements	99,262	-	-	99,262	(181)	-	-	(181)
Balances as of December 31, 2021	**172,958**	**-**	**-**	**172,958**	**94**	**-**	**-**	**94**

The transfer amounts in the above reconciliations represent the net increase or decrease in the allowance for credit losses as a result of transfers between stages during the years ended December 31, 2021 and 2020.

o) Credit quality analysis

Due from banks and other financial institutions

The following table sets out information about the credit quality of due from banks and other financial institutions as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	5,360,583	-	-	5,360,583	2,104,763	-	-	2,104,763
Non-investment grade	91,326	1,057	-	92,383	62,220	928	-	63,148
Unrated	1,444	-	-	1,444	2,033	-	-	2,033
Total	**5,453,353**	**1,057**	**-**	**5,454,410**	**2,169,016**	**928**	**-**	**2,169,944**

Investments – debt securities

The following table sets out information about the credit quality of debt securities as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	25,335,758	-	-	25,335,758	26,931,789	-	-	26,931,789
Non-investment grade	1,981,149	-	-	1,981,149	2,039,423	-	-	2,039,423
Unrated	1,026,165	-	-	1,026,165	988,697	-	-	988,697
Total	**28,343,072**	**-**	**-**	**28,343,072**	**29,959,909**	**-**	**-**	**29,959,909**

Investment grade securities / counterparties generally have a minimum external rating from approved rating agencies exhibiting minimal to moderate credit risk. Unrated investment securities primarily include Saudi corporate securities.

32. Credit and financial risk management - continued

Total loans and advances

The following table sets out information about the credit quality of total loans and advances as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1 to 6 and unrated	52,870,856	3,084,026	-	55,954,882	50,192,685	2,941,773	-	53,134,458
Grade 7 – Special Mention	-	1,121,343	-	1,121,343	-	1,236,832	-	1,236,832
Lifetime ECL credit impaired	-	-	2,692,122	2,692,122	-	-	2,458,028	2,458,028
Total	**52,870,856**	**4,205,369**	**2,692,122**	**59,768,347**	**50,192,685**	**4,178,605**	**2,458,028**	**56,829,318**

Loans and advances – commercial, overdrafts, and other loans

The following table sets out information about the credit quality of commercial, overdrafts, and other loans and advances as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1 to 6 and unrated	42,933,845	3,003,698	-	45,937,543	39,125,410	2,792,017	-	41,917,427
Grade 7 – Special Mention	-	1,121,343	-	1,121,343	-	1,236,832	-	1,236,832
Lifetime ECL credit impaired	-	-	2,580,541	2,580,541	-	-	2,320,631	2,320,631
Total	**42,933,845**	**4,125,041**	**2,580,541**	**49,639,427**	**39,125,410**	**4,028,849**	**2,320,631**	**45,474,890**

Refer to note 7(d)(i) for a description of the grading categories for loans and advances.

Loans and advances – consumer loans

The following table sets out information about the credit quality of consumer loans and advances as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Unrated	9,937,011	80,328	-	10,017,339	11,067,275	149,756	-	11,217,031
Lifetime ECL credit impaired	-	-	111,581	111,581	-	-	137,397	137,397
Total	**9,937,011**	**80,328**	**111,581**	**10,128,920**	**11,067,275**	**149,756**	**137,397**	**11,354,428**

Financial guarantee contracts

The following table sets out information about the credit quality of financial guarantee contracts as of December 31, 2021 and 2020:

	2021 SAR '000				2020 SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Grade 1 to 6 and unrated	11,377,970	544,457	-	11,922,427	11,247,291	302,379	-	11,549,670
Grade 7 – Special Mention	-	140,771	-	140,771	-	55,124	-	55,124
Lifetime ECL credit impaired	-	-	400,432	400,432	-	-	403,336	403,336
Total	**11,377,970**	**685,228**	**400,432**	**12,463,630**	**11,247,291**	**357,503**	**403,336**	**12,008,130**

32. Credit and financial risk management - continued

p) Summary of financial assets and financial liabilities

The following tables summarizes the balances of financial and other assets and financial and other liabilities by measurement category in the consolidated statement of financial position as of December 31, 2021 and 2020:

	2021 SAR '000				
	Amortized cost	Mandatorily at FVTPL	FVOCI – equity securities	FVOCI – debt securities	Total carrying amount
Financial and other assets:					
Cash and balances with SAMA	5,901,679	-	-	-	5,901,679
Due from banks and other financial institutions, net	5,445,778	-	-	-	5,445,778
Investments	-	142,656	356,023	28,343,072	28,841,751
Positive fair values of derivatives, net	-	663,971	-	-	663,971
Loans and advances, net	57,803,114	-	-	-	57,803,114
Other assets, net	245,529	-	-	-	245,529
Total financial and other assets	**69,396,100**	**806,627**	**356,023**	**28,343,072**	**98,901,822**
Financial and other liabilities:					
Due to banks and other financial institutions, net	21,792,608	-	-	-	21,792,608
Customers' deposits	61,514,882	-	-	-	61,514,882
Negative fair value of derivatives, net	-	230,147	-	-	230,147
Other liabilities	1,748,923	-	-	-	1,748,923
Total financial and other liabilities	**85,056,413**	**230,147**	**-**	**-**	**85,286,560**

	2020 SAR '000				
	Amortized cost	Mandatorily at FVTPL	FVOCI – equity securities	FVOCI – debt securities	Total carrying amount
Financial and other assets:					
Cash and balances with SAMA	8,323,490	-	-	-	8,323,490
Due from banks and other financial institutions, net	2,166,742	-	-	-	2,166,742
Investments	-	180,115	373,819	29,959,909	30,513,843
Positive fair values of derivatives, net	-	1,018,349	-	-	1,018,349
Loans and advances, net	55,073,894	-	-	-	55,073,894
Other assets, net	149,352	-	-	-	149,352
Total financial and other assets	**65,713,478**	**1,198,464**	**373,819**	**29,959,909**	**97,245,670**
Financial and other liabilities:					
Due to banks and other financial institutions, net	20,073,084	-	-	-	20,073,084
Customers' deposits	60,143,589	-	-	-	60,143,589
Negative fair value of derivatives, net	-	329,462	-	-	329,462
Term loans	2,006,169	-	-	-	2,006,169
Other liabilities	2,001,195	-	-	-	2,001,195
Total financial and other liabilities	**84,224,037**	**329,462**	**-**	**-**	**84,553,499**

34. Fair values of financial assets and liabilities

a) The Group uses the fair value hierarchy disclosed in note 2dii for determining and disclosing the fair value of financial instruments. The following table shows an analysis of financial assets and liabilities recorded at fair value as of December 31, 2021 and 2020 by level of the fair value hierarchy

	2021 SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL, net	-	500,369	163,602	663,971
Investments at FVOCI	27,157,084	1,528,729	13,282	28,699,095
Investments at FVTPL	117,776	-	24,880	142,656
Total	**27,274,860**	**2,029,098**	**201,764**	**29,505,722**
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL, net	-	230,147	-	230,147
Total	**-**	**230,147**	**-**	**230,147**

	2020 SAR '000			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL, net	-	681,774	336,575	1,018,349
Investments at FVOCI	26,173,775	4,146,678	13,275	30,333,728
Investments at FVTPL	132,949	-	47,166	180,115
Total	**26,306,724**	**4,828,452**	**397,016**	**31,532,192**
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL, net	-	329,462	-	329,462
Total	**-**	**329,462**	**-**	**329,462**

The total amount of the changes in fair value recognized in the consolidated statement of income for the year ended December 31, 2021 which was estimated using valuation models, is a loss of SAR 172.9 million (2020: a loss of SAR 84.6 million) which primarily relate to changes in the valuation of the associated company put option described in note 11e, which is included in unrealized fair value through profit and loss.

Level 2 investments include debt securities which are comprised of Saudi corporate and bank securities, and Saudi Arabian Government securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, commission rate options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

33. Fair values of financial assets and liabilities - continued

Level 3 investments include private equity funds and certain unquoted strategic investments in equities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counter-party or valued at cost in the absence of any such alternative reliable indicative estimate. During the year ended December 31, 2020, certain Gulf Cooperation Council Government securities were transferred from Level 3 to Level 2.

Level 3 derivative financial instruments include the embedded derivative put option arising from the existing master agreement entered into by the Bank relating to its investment in an associated company (see note 11e). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

Should the significant estimations of inputs vary by plus or minus ten percent, the fair value could increase or decrease by approximately SAR 33.1 million (2020: SAR 60.2 million) due to estimating operating results of the associated company, could increase or decrease by approximately SAR 14.6 million (2020: SAR 26.1 million) due to estimating the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and could increase or decrease by approximately SAR 16.1 million (2020: SAR 24.2 million) due to estimating the fair value of the underlying investment.

In all respects, the Group's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are prudent to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Bank's estimates of fair value.

b) The following table summarizes the movement of the Level 3 fair values for the years ended December 31, 2021 and 2020:

	2021 SAR '000	**2020 SAR '000**
Fair values at the beginning of the year	397,016	939,020
Transfers to Level 2	-	(453,906)
Net change in fair value	(195,252)	(88,098)
Fair values at the end of the year	**201,764**	**397,016**

33. Fair values of financial assets and liabilities - continued

c) The following table summarizes the estimated fair values of financial assets and financial liabilities as of December 31, 2021 and 2020 that are not carried at fair value in the consolidated statement of financial position, along with the comparative carrying amounts for each.

2021	Carrying values SAR '000	Estimated fair values SAR '000
Financial assets:		
Due from banks and other financial institutions, net	5,445,778	5,445,778
Loans and advances, net	57,803,114	58,638,152
Total	**63,248,892**	**64,083,930**
Financial liabilities:		
Due to banks and other financial institutions, net	21,792,608	21,792,608
Customers' deposits	61,514,882	59,978,185
Total	**83,307,490**	**81,770,793**

2020	Carrying values SAR '000	Estimated fair values SAR '000
Financial assets:		
Due from banks and other financial institutions, net	2,166,742	2,166,742
Loans and advances, net	55,073,894	59,325,028
Total	**57,240,636**	**61,491,770**
Financial liabilities:		
Due to banks and other financial institutions, net	20,073,084	20,073,084
Customers' deposits	60,143,589	59,715,600
Term loans	2,006,169	2,006,169
Total	**82,222,842**	**81,794,853**

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customers' deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class. These fair value estimates would be considered as level 3 in the fair value hierarchy.

The fair values of other financial instruments that are not carried in the consolidated statement of financial position at fair value are not significantly different from the carrying values. The fair values of term loans, due from banks and other financial institutions and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the special commission rates at initial recognition, and because of the short duration of due from banks and other financial institutions.

34. Related party transactions - continued

a) In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2014, SAMA issued an update to its Principles of Corporate Governance for Banks operating in Saudi Arabia and during 2020, SAMA issued rules on Banks exposures to Related Parties. These updates specify the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

34. Related party transactions - continued

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

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

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, CEO, GMs, their deputies, CFO, Managers of key departments, officers of risk management, Internal audit, and Compliance functions, and similar positions in the Bank, in addition to incumbents of any other positions determined by SAMA.

Principal shareholders include those owners of record of more than five percent of the Bank's voting ownership and/or voting interest of the Bank.

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

b) The balances as of December 31, 2021 and 2020, resulting from such transactions included in the consolidated statement of financial position are as follows:

	2021 SAR '000	2020 SAR '000
Management of the Bank, their relatives and/or their affiliated entities:		
Loans and advances	598,381	804,421
Customers' deposits	2,407,677	469,228
Tier I Sukuk	7,000	7,000
Commitments and contingencies	336,634	306,912
Investments	413,118	429,675
Principal shareholders of the Bank and/or their relatives:		
Customers' deposits	1,714,130	760,091
Tier I Sukuk	30,000	30,000
Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives:		
Loans and advances	893,330	732,527
Customers' deposits	268,390	381,956
Tier I Sukuk	3,000	5,000
Commitments, contingencies and derivatives	100,050	102,050
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:		
Customers' deposits and other liabilities	329,567	264,141

34. Related party transactions - continued

c) Income and expense for the years ended December 31, 2021 and 2020, pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	2021 SAR '000	2020 SAR '000
Management of the Bank and/or members of their immediate family:		
Special commission income	18,774	29,195
Special commission expense	6,003	5,595
Fee income from banking services	138	25
Other expenses	15,719	-
Principal shareholders of the Bank and/or members of their immediate family:		
Special commission expense	4,583	293
Rent and premises-related expenses (Building rental)	7,758	7,758
Other expenses	4,587	100
Affiliates of the Bank and entities for which the investment is accounted for using the equity method of accounting:		
Special commission income	30,452	31,863
Special commission expense	397	6,284
Fee income from banking services	433	3,113
Other income	5,320	5,394
Other expenses	16,702	2,659
Board of Directors and other Board Committee member remuneration	8,281	6,545

All related party transactions are conducted on terms approved by the management.

The total amount of compensation charged or paid to key management personnel during the year is included in note 25b.

35. Capital adequacy

a) The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern, and to maintain a strong capital base.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments, and notional amounts of derivatives, at a weighted amount to reflect their relative risk.

The following table summarizes the Bank's Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and corresponding Capital adequacy ratio percentages as of December 31, 2021 and 2020.

	2021 SAR '000	2020 SAR '000
Credit Risk RWA	79,052,694	72,782,528
Operational Risk RWA	5,091,578	5,112,624
Market Risk RWA	1,021,036	1,642,306
Total Pillar- I RWA	85,165,308	79,537,458
Tier I Capital	17,105,736	16,135,294
Tier II Capital	644,436	730,973
Total Tier I plus II Capital	17,750,172	16,866,267
Capital Adequacy Ratios:		
Tier I Ratio	20.09%	20.29%
Tier I plus Tier II Ratio	20.84%	21.21%

35. Capital adequacy - continued

The Tier I and Tier II capital as of December 31, 2021 and 2020 is comprised of the following:

	2021 SAR '000	2020 SAR '000
Total Equity	16,301,475	15,331,033
IFRS 9 five-year transitional adjustment	822,556	822,556
Goodwill adjustment	(18,295)	(18,295)
Tier I Capital	17,105,736	16,135,294
Qualifying general provisions, net	644,436	730,973
Tier II Capital	644,436	730,973
Tier I plus Tier II Capital	17,750,172	16,866,267

Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

As of December 31, 2021 and 2020, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III.

SAMA under its circular no. 391000029731 dated 15 Rabi Al Awwal 1439H (corresponding to December 03, 2017) on the ECL accounting transitional arrangement for regulatory capital, allowed banks to transition the Day 1 impact of IFRS 9 on regulatory capital over five years by using a dynamic approach to reflect the impact of the transition.

In April 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 – Extraordinary Support Measures". Under the guidance, banks have been allowed to add-back up to 100% of the Day 1 impact of IFRS 9 as a transitional adjustment amount to Common Equity Tier 1 (CET1) for the two year periods comprising 2020 and 2021. The add-back amount is then required to be phased-out on a straight-line basis over the subsequent 3 years. In this respect, the Group has opted to apply the transitional adjustment, and has included the Day 1 impact of IFRS 9 in its Tier I regulatory capital. As a result, the IFRS 9 transitional adjustment add back has increase to SAR 822.5 million as of December 31, 2021 (2020: SAR 822.5 million).

b) The following additional disclosures are required under the Basel III framework.

- Pillar III, Qualitative disclosures (Annually)
- Pillar III, Quantitative disclosures (Annually/Semi-annually)
- Capital Structure (Quarterly)
- Liquidity Coverage Ratio (Quarterly)
- Leverage Ratio (Quarterly)

These disclosures are made available to the public on the Bank's website within the prescribed time frames as required by SAMA.

36. Asset management and brokerage services

The Group offers investment services to its customers, through a subsidiary, which includes management of investment funds in consultation with professional investment advisors, with assets under management totalling SAR 29,531 million (2020: SAR 20,800 million). This includes funds managed under Shariah approved portfolios amounting to SAR 7,729 million (2020: SAR 5,766 million).

37. Employee end of service benefits

a) The actuarial obligation amounts recognized in the consolidated statement of financial position which is included in other liabilities and the corresponding movement during the years ended December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Actuarial obligation at the beginning of the year	202,444	174,512
Current service and net interest cost	19,346	38,657
Benefits paid	(26,258)	(17,119)
Effect of changes in actuarial assumptions	(1,785)	6,394
Actuarial obligation at the end of the year (note 15a)	**193,747**	**202,444**

b) The principal actuarial assumptions used in the calculation of the actuarial obligations as of December 31, 2021 and 2020 are as follows:

	2021 SAR '000	2020 SAR '000
Discount rate	3.57%	2.77%
Expected rate of salary increment	2.00%	2.00%
Normal retirement age (years)	60	60

c) Should the above actuarial assumptions change in the future, the actuarial obligation could be higher or lower. The table below illustrates the sensitivity of the actuarially determined obligation as of December 31, 2021 and 2020 to the discount rate of 3.57% as of December 31, 2021 (2020: 2.77%), and the salary increment rate of 2.00% as of December 31, 2021 (2020: 2.00%).

	2021			2020		
	Impact on actuarially determined obligation Increase (Decrease)			Impact on actuarially determined obligation Increase (Decrease)		
	Change in assumption	Increase in assumption SAR '000	Decrease in assumption SAR '000	Change in assumption	Increase in assumption SAR '000	Decrease in assumption SAR '000
Discount rate	10%	(4,519)	4.981	10%	(3,576)	3,814
Salary increment rate	10%	3,210	(1,910)	10%	1,325	(1,415)

The above sensitivity analyses is based on a change in a single assumption holding other assumptions constant.

d) The approximate expected maturity analysis of the undiscounted actuarially determined obligation as of December 31, 2021 and 2020 is as follows:

	2021 SAR '000	2020 SAR '000
Less than one year	13,214	24,581
One to two years	959	922
Two to five years	8,142	10,216
Over five years	230,326	205,105
Total	**252,641**	**240,824**

37. Employee end of service benefits - continued

e) The weighted average duration of the actuarially determined obligation is approximately 6.7 years (2020: 6.57 years).

38. Tier I Sukuk

The Bank completed the establishment of a Shari'a compliant Tier I Sukuk Program (the Program) in 2016. The Program was approved by the Bank's regulatory authorities and shareholders. The following tranches of Tier I Sukuk issued under the program on the dates indicated below are outstanding as of December 31, 2021 and 2020:

	2021 SAR '000	2020 SAR '000
November 16, 2016	-	500,000
June 6, 2017	285,000	285,000
March 21, 2018	1,000,000	1,000,000
April 15, 2019	215,000	215,000
Total	**1,500,000**	**2,000,000**

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

The applicable profit rate on the Tier I Sukuk is payable in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such a non-payment event or non-payment election are not considered to be an event of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

39. Treasury shares

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (JP Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million, exclusive of transaction costs and estimated tax. The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury shares purchased include transaction costs and estimated tax for a total cost of SAR 787.5 million.

On November 29, 2018, the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd. (Mizuho), to purchase another 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated Tax. The Bank received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab, 1440H, corresponding to March 28, 2019. On May 28, 2019, the Bank completed the purchase. The Treasury shares purchased include transaction costs for a total cost of SAR 253.5 million.

The share capital of the Bank was not reduced as a result of these transactions with the cost of the shares purchased totaling SAR 1,041.1 million presented as a reduction of shareholders' equity.

During the year ended December 31, 2021, the Bank issued all of the treasury shares by the way of right shares and rump offering. The total proceeds from the sale of treasury shares amounted to SAR 1.03 billion, exclusive of transaction costs.

40. Operating expenses

a) Provisions for credit and other losses for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Provisions for credit losses:		
Due from banks and other financial institutions (note 5b)	5,430	1,114
Investments (note 6d)	(5,200)	1,726
Loans and advances (note 7c)	254,432	453,527
Financial guarantee contracts (note 15b)	(6,423)	(6,843)
Other assets (note 10b)	(181)	(111)
Provisions for credit losses	248,058	449,413
Provisions for real estate and other losses	23,008	-
Provisions for credit and other losses	**271,066**	**449,413**

b) Other general and administrative expenses for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021 SAR '000	2020 SAR '000
Professional and other related services	87,583	73,247
Communications	48,211	39,299
Advertising and contributions	38,673	35,583
Postal, shipping and supplies	23,417	23,491
Licenses and Subscriptions	21,236	16,844
SAMA Deposit Insurance Premiums	14,664	19,332
Others	74,327	61,194
	308,111	**268,990**

41. Impact of COVID-19 on ECL and SAMA Programs

The Coronavirus ("COVID-19") pandemic ("the pandemic") continues to disrupt global markets as many geographies are experiencing issues due to multiple new variants of this infection, despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

During 2020, the management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio. The Bank continues to assess and reflect appropriately:

- Customers whose credit quality appear to have deteriorated on a permanent basis and thus the Group is required to recognize lifetime ECL losses on such exposures; and
- Customers whose credit quality have either stayed stable (due to the offsetting nature of availing government programs) or have declined but the decline is deemed to be temporary as the customer may have sound fundamentals to emerge strongly post pandemic.

41. Impact of COVID-19 on ECL and SAMA Programs - continued

The Bank's ECL model continues to be sensitive and is continually reassessed as part of its normal model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, Management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. Accordingly, management's ECL assessment includes a sector-based assessment and staging analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognized post-model overlays of SAR 112 million, SAR 102 million and SAR 11 million as of December 31, 2021 for its corporate, MSME and retail loans and advances portfolio respectively. The Bank will continue to reassess the need for additional overlays as more reliable data becomes available and accordingly determine if any adjustment to the ECL allowance is required in subsequent reporting periods.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to the pandemic, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H (corresponding to March 15, 2017). The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

Deferred payment program

As part of the deferred payments program launched by SAMA in March 2020 and with the extensions to the program till March 2022 announced subsequently, the Bank deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Program	Type	Instalment deferred SAR billion	Cost of deferral / Modification Loss SAR million
April 2020 – September 2020	Installments deferred	3.4	97.3
October 2020 – December 2020	Installments deferred	2.2	27.4
January 2021 – March 2021	Installments deferred	3.3	73.9
April 2021 – June 2021	Tenor Extension	3.2	86.0
July 2021 – September 2021	Tenor Extension	0.9	16.6
October 2021 – December 2021	Tenor Extension	0.9	16.4
January 2022 – March 2022	Tenor Extension	0.6	9.0

41. Impact of COVID-19 on ECL and SAMA Programs - continued

The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Bank continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Bank has performed an assessment with respect to SICR and recognized an overlay of SAR 102 million on its MSME portfolio as of December 31, 2021 as a result of the potential impact of credit risk rating downgrades.

The Group has performed as assessment with respect to SICR for eligible MSME customers and migrated customers amounting to SAR 231.5 million from Stage 1 to Stage 2 during the year ended December 31, 2021.

If the balance of COVID-19 support packages in Stage 1 for eligible MSME borrowers move to Stage 2, additional ECL provisions will be provided during 2022 based on the facility level assessment and the ability of MSME customers to repay amounts due after the deferral period ends.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank received commission free and commission bearing deposits from SAMA amounting to SAR 3.8 billion and SAR 2.5 billion respectively with varying maturities, which qualify as government grant. Management has determined based on the communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income. Total income on these commission free deposits amounted to SAR 455.2 million out of which SAR 326 million was recognized in special commission income. During the year ended December 31, 2021, SAR 120.2 million (December 31, 2020: SAR 81.6 million) has been recognized to the consolidated statement of income relating to unwinding of day 1 gain with an aggregate of SAR 54.7 million deferred grant income as of December 31, 2021 (December 31, 2020: SAR 214.3 million)

Funding for lending and Facility guarantee program

As of December 31, 2021, the Bank has participated in SAMA's facility guarantee program. The Bank has received SAR 100 million from SAMA for providing concessional financing to eligible MSMEs under facility guarantee program. The accounting impact for facility guarantee program is immaterial to the consolidated financial statements for the year ended December 31, 2021.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received a SAR 2.32 billion commission free deposit with a one-year maturity. Management determined based on the communication received from SAMA, that this government grant primarily related to liquidity support. The benefit of the subsidized funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 38.4 million, of which SAR 34.7 million was recognized in the consolidated statement of income for the year ended December 31, 2020 and with the remaining amount deferred. This deposit has been repaid during the year ended December 31, 2021.

41. Impact of COVID-19 on ECL and SAMA Programs - continued

Bank's initiative - Health care sector support
In recognition of the significant efforts that the healthcare workers are putting in to safeguard the health of our citizens and residents in response to the pandemic, the Bank voluntarily postponed loan payments for three months for all public and private health care workers who had credit facilities with the Bank. This resulted in the Bank recognizing a day 1 modification loss of SAR 8.9 million for the year ended December 31, 2020 which was charged to special commission income.

42. Analysis of changes in financing during the year

A reconciliation from the opening to the closing balances of the liabilities and equity due to changes in cash flows arising from financing activities for the years ended December 31, 2021 and 2020 is summarized as follows:

		Liabilities SAR '000	Equity SAR '000		
	Note	Term loans	Treasury shares	Tier I Sukuk	Total
Balances as of December 31, 2019		**2,011,626**	**(1,041,067)**	**2,000,000**	**958,933**
Special commission expense	21	47,329	-	-	-
Special commission paid		(52,786)	-	-	-
Net movement during the year		(5,457)	-	-	-
Balances as of December 31, 2020		**2,006,169**	**(1,041,067)**	**2,000,000**	**958,933**
Issuance of Treasury shares	39	-	1,041,067	-	1,041,067
Redemption of Tier I Sukuk	38	-	-	(500,000)	(500,000)
Repayment of Term loan	14	(2,000,000)	-	-	-
Special commission expense	21	16,725	-	-	-
Special commission paid		(22,894)	-	-	-
Net movement during the year		(2,006,169)	1,041,067	(500,000)	541,067
Balances as of December 31, 2021		**-**	**-**	**1,500,000**	**1,500,000**

43. IBOR ("Interbank Offer Rate") Transition - Interest Rate Benchmark Reforms

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") followed a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

- **Phase 1** – The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments were effective from January 1, 2020 and were mandatory for all hedge relationships directly affected by the IBOR reform. The Group has adopted these amendments along with the hedging relief for pre-replacement hedges.
- **Phase 2** – The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result, IBOR continues to be used as a reference rate in financial markets and therefore is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Phase 2 amendments are effective for annual periods beginning on or after January 1, 2021, and include practical expedients in respect of:

  - Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and

43. IBOR ("Interbank Offer Rate") Transition - Interest Rate Benchmark Reforms - continued

- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The Group has exposure to IBOR rates that are subject to reform through the holdings of investment securities, financial assets denominated in foreign currencies, its associated hedging and structural rate position.

a) Credit exposures

The following table contains details of all of the financial instruments that the Group holds as of December 31, 2021 which reference USD LIBOR:

	2021 USD million
Measured at amortized cost:	
Loans and advances	229
Measured at FVOCI:	
Investments	47
Measured at FVTPL:	
Derivatives – notional amount	4,542

As of December 31, 2021, the Group does not hold any financial assets or liabilities as of December 31, 2021 and 2020 that reference GBP or EUR LIBOR.

b) Hedge Accounting

The Group holds a portfolio of fixed-rate debt securities and therefore is exposed to changes in fair value due to movements in market commission rates. The Group manages this risk exposure by entering into pay fixed / receive floating interest rate swaps.

As of December 31, 2021, the Group does not hold any financial assets or liabilities designated as hedged items that reference GBP or EUR LIBOR.

During the year ended December 31, 2020, the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to alternate benchmarks, as applicable, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As of December 31, 2021, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed.

The Group has identified that the areas of most significant risk arising from the replacement of LIBOR are:

- updating systems and processes which capture LIBOR referenced contracts;
- amendments to those contracts, or existing fallback / transition clauses not operating as anticipated;
- mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management; and

updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to alternate benchmarks and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBOR replacement.

43. IBOR ("Interbank Offer Rate") Transition - Interest Rate Benchmark Reforms - continued

The Group is undergoing overall transition activities and is engaging various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

44. Prospective changes to the International Financial Reporting Framework

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2022.

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

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

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

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

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

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

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.

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

Note that the IASB has issued a new exposure draft proposing changes to this amendment.

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.

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.

44. Prospective changes to the International Financial Reporting Framework - continued

IFRS 17, 'Insurance contracts', as amended in June 2020

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

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

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

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

The Group does not anticipate that these will have a significant impact on the Group's consolidated financial statements. Refer to note 43 for further details regarding IBOR transition.

45. Board of Director's approval

The consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2022 corresponding to Rajab 12, 1443H.

ANNEXES 07

GRI Content index GRI 102-54, 102-55

GRI 101: Foundation 2016

GRI 102: General Discolsures

Organisational profile

GRI disclosure	Report commentary / direct answer
102-1 Name of the organization	Report cover About this report
102-2 Activities, brands, products, and services	SAIB in context: Product portfolio Customer capital
102-3 Location of headquarters	Corporate information
102-4 Location of operations	SAIB in context: Operating footprint
102-5 Ownership and legal form	SAIB in context: Group structure
102-6 Markets served	SAIB in context: Group structure
102-7 Scale of the organization	2021 value creation highlights
102-8 Information on employees and other workers	Employee capital
102-9 Supply chain	Business Partner Capital
102-10 Significant changes to the organization and its supply chain	Business Partner Capital
102-11 Precautionary principle or approach	Risk Management
102-12 External initiatives	About this report
102-13 Membership of associations	Business Partner Capital

Strategy

102-14 Statement from senior decision-maker	Chairman’s report
102-15 Key impacts, risks, and opportunities	CEO’s report Material matters Risks and opportunities

Ethics and integrity

102-16 Values, principles, standards, and norms of behavior	Vision and values Our sustainability framework Corporate Governance
102-17 Mechanisms for advice and concerns about ethics	Corporate Governance

Governance

102-18 Governance structure	Corporate Governance
102-19 Delegating authority	Corporate Governance
102-20 Executive-level responsibility for economic, environmental, and social topics	Corporate Governance
102-21 Consulting Stakeholders on economic, environmental, and social topics	Corporate Governance
102-22 Composition of the highest governance body and its committees	Corporate Governance
102-23 Chair of the highest governance body	Corporate Governance
102-24 Nominating and selecting the highest governance body	Corporate Governance
102-25 Conflicts of interest	Corporate Governance

102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance
102-27 Collective knowledge of highest governance body	Corporate Governance
102-28 Evaluating the highest governance body's performance	Corporate Governance
102-29 Identifying and managing economic, environmental, and social impacts	Corporate Governance
102-30 Effectiveness of risk management processes	Corporate Governance

Stakeholder engagement

102-40 List of Stakeholder groups	Our key relationships
102-41 Collective bargaining agreements	No collective bargaining approach
102-42 Identifying and selecting Stakeholders	Our key relationships
102-43 Approach to Stakeholder engagement	Our key relationships
102-44 Approach to Stakeholder engagement	Our key relationships

Reporting practice

102-45 Entities included in the consolidated financial statements	Notes to the Consolidated Financial Statements
102-46 Defining report content and topic boundaries	Our material matters About this Report
102-47 List of material topics	Our material matters
102-48 Restatements of information	About this Report
102-49 Changes in reporting	About this Report
102-50 Reporting period	About this Report
102-51 Date of most recent report	About this Report
102-52 Reporting cycle	About this Report
102-53 Contact point for questions regarding the report	About this Report
102-54 Claims of reporting in accordance with the GRI Standards	About this Report GRI index This report has been prepared in accordance with the GRI Standards: Core option.
102-55 GRI content index	About this Report GRI index
102-56 External assurance	No external assurance obtained

GRI 200: Economic

GRI 201: Economic performance 2016

201-1 Explanation of the material topic and its boundary	Financial capital
201-2 The management approach and its components	Financial capital
201-3 Evaluation of the management approach	Financial capital
201-1 Direct economic value generated and distributed	Financial capital

201-2 Financial implications and other risks and opportunities due to climate change	Financial capital
201-3 Defined benefit plan obligations and other retirement plans	Notes to the Consolidated Financial Statements
201-4 Financial assistance received from government	Notes to the Consolidated Financial Statements

GRI 202: Market presence 2016

103-1 Explanation of the material topic and its boundary	Employee capital
103-2 The management approach and its components	Employee capital
103-3 Evaluation of the management approach	Employee capital
202-2 Proportion of Senior Management hired from the local community	Employee capital

GRI 203: Indirect economic impacts 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
203-1 Infrastructure investments and services supported	Social and Environmental Capital
203-2 Significant indirect economic impacts	Social and Environmental Capital

GRI 204: Procurement practices 2016

103-1 Explanation of the material topic and its boundary	Business Partner Capital
103-2 The management approach and its components	Business Partner Capital
103-3 Evaluation of the management approach	Business Partner Capital
204: Procurement practices	Business Partner Capital
204-1 Proportion of spending on local suppliers	Business Partner Capital

GRI 205: Anti-corruption 2016

103-1 Explanation of the material topic and its boundary	Compliance
103-2 The management approach and its components	Compliance
103-3 Evaluation of the management approach	Compliance
205-1 Operations assessed for risks related to corruption	Compliance
205-2 Communication and training about anti-corruption policies and procedures	Compliance
205-3 Confirmed incidents of corruption and actions taken	No confirmed incidents of corruption

GRI 300: Environmental

GRI 301: Materials 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
301-2 Recycled input materials used	Social and Environmental Capital

GRI 302: Energy 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
302-1 Energy consumption within the organization	Social and Environmental Capital
302-4 Reduction of energy consumption	Social and Environmental Capital

GRI 303: Water and Effluents 2018

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
303-1 Interactions with water as a shared resource	Social and Environmental Capital
303-2 Management of water discharge-related impacts	Social and Environmental Capital
303-3 Water withdrawal	Social and Environmental Capital
303-4 Water discharge	Social and Environmental Capital
303-5 Water consumption	Social and Environmental Capital

GRI 305: Emissions 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
305-1 Direct (Scope 1) GHG emissions	Social and Environmental Capital
305-2 Energy indirect (Scope 2) GHG emissions	Social and Environmental Capital

GRI 307: Environmental compliance 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capita
103-2 The management approach and its components	Social and Environmental Capita
103-3 Evaluation of the management approach	Social and Environmental Capita
307-1 Non-compliance with environmental laws and regulations	No non-compliance with environmental laws and regulations reported

GRI 400: Social

GRI 401: Employment 2016

103-1 Explanation of the material topic and its boundary	Employee Capital
103-2 The management approach and its components	Employee Capital
103-3 Evaluation of the management approach	Employee Capital
401-1 New employee hires and employee turnover	Employee Capital
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Capital
401-3 Parental leave	Employee Capital

GRI 403: Occupational Health and Safety 2018

103-1 Explanation of the material topic and its boundary	Employee Capital
103-2 The management approach and its components	In addition to security and safety policies, the Bank conducts branch inspections, safety sessions, and awareness programs. No fatalities, injuries, or absenteeism due to work-related health issues occurred during the year under review.
103-3 Evaluation of the management approach	
403-1 Occupational health and safety management system	
403-2 Hazard identification, risk assessment, and incident investigation	
403-3 Occupational health services	
403-5 Worker training on occupational health and safety	
403-6 Promotion of worker health	
403-9 Work-related injuries	
403-10 Work-related ill health	

GRI 404: Training and education 2016

103-1 Explanation of the material topic and its boundary	Employee Capital
103-2 The management approach and its components	Employee Capital
103-3 Evaluation of the management approach	Employee Capital
404-1 Average hours of training per year per employee	Employee Capital
404-2 Programs for upgrading employee skills and transition assistance programs	Employee Capital

GRI 405: Diversity and equal opportunity 2016

103-1 Explanation of the material topic and its boundary	Employee Capital
103-2 The management approach and its components	Employee Capital
103-3 Evaluation of the management approach	Employee Capital
405-1 Diversity of governance bodies and employees	Employee Capital
405-2 Ratio of basic salary and remuneration of women to men	Employee Capital

GRI 413: Local communities 2016

103-1 Explanation of the material topic and its boundary	Social and Environmental Capital
103-2 The management approach and its components	Social and Environmental Capital
103-3 Evaluation of the management approach	Social and Environmental Capital
413-1 Operations with local community engagement, impact assessments, and development programs	Social and Environmental Capital

GRI 417: Marketing and labeling 2016

103-1 Explanation of the material topic and its boundary	Customer Capital
103-2 The management approach and its components	Customer Capital
103-3 Evaluation of the management approach	Customer Capital
417-2 Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance concerning product and service information and labeling reported
417-3 Incidents of non-compliance concerning marketing communications	No incidents of non-compliance concerning product and service information and labeling reported

GRI 418: Customer privacy 2016

103-1 Explanation of the material topic and its boundary	Customer Capital
103-2 The management approach and its components	Customer Capital
103-3 Evaluation of the management approach	Customer Capital
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Capital

GRI 419: Socioeconomic compliance 2016

103-1 Explanation of the material topic and its boundary	Financial Capital
103-2 The management approach and its components	Financial Capital
103-3 Evaluation of the management approach	Financial Capital
419-1 Non-compliance with laws and regulations in the social and economic area	Financial Capital

ACRONYMS

Acronym	Full term
ADF	Agricultural Development Fund
ICAP	Alistithmar for Financial Securities and Brokerage Company
AML	Anti-money laundering
API	Application programming interface
AI	Artificial intelligence
ATM	Automated teller machine
BA	Bachelor of Arts degree
BS	Bachelor of Science degree
B/S	Balance sheet
BCM	Business continuity management
BCP	Business continuity plan
BI	Business intelligence
BMS	Building Management System
B2B	Business-to-business
CMA	Capital Markets Authority of Saudi Arabia
CDM	Cash deposit machine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CCTV	Closed-circuit television
CSR	Corporate social responsibility
CTF	Counter-terrorism financing
CX	Customer experience
DDA	Demand deposit account
DRC	Disaster recovery center
EMDE	Emerging market and developing economy
EMS	Environmental Management System
ESG	Environmental, Social and Governance
ECL	Expected credit losses
FATF	Financial Action Task Force
FATCA	Foreign Account Tax Compliance Act
GAZT	General Authority of Zakat and Tax
GRI	Global Reporting Initiative
GDP	Gross domestic product
IT	Information technology
IR	Integrated Annual Report
ITM	Interactive teller machine
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ITG	IT Group
KPI	Key performance indicator

KSA	Kingdom of Saudi Arabia
KYC	Know Your Customer
KUWT	Kuwait
LCR	Liquidity coverage ratio
LDR	Loan-to-deposit ratio
LIBOR	London Inter-Bank Offered Rate
MDC	Main data center
MA	Master of Arts degree
MPA	Master of Public Administration degree
MSME	Micro, small and medium enterprises
NCA	National Cybersecurity Authority
NPS	Net promoter score
OECD	Organization for Economic Co-operation and Development
PSPR	Payment Services Provider Regulator
PFM	Personal finance management
PESTEL	Political, Economic, Social, Technological, Environmental, Legal
PI	Public institutions
PMI	Purchasing managers index
RETT	Real-estate transactions tax
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Arabian Money Authority
SDAIA	Saudi Data and Artificial Intelligence
SIDF	Saudi Industrial Development Fund
SOCPA	Saudi Organization for Certified Public Accountants
SAR	Saudi Riyal
SLA	Service level adherence
SME	Small and medium enterprises
SNB	Special needs branch
S&P	Standard and Poor
SMDS	Sustainability Management Dashboard System
USA	United States of America
VAT	Value-added tax
VDI	Virtual desktop infrastructure
YOY	Year-on-year
ZAKAT	Zakat, Tax and Customers Authority

CORPORATE INFORMATION GRI 102-3

Name
The Saudi Investment Bank

Commercial registration
1010011570

Registered logo

Legal form
The Saudi Investment Bank (the Bank), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, (corresponding to June 23, 1976) in the Kingdom of Saudi Arabia.

Stock exchange listing
The shares of the Bank are listed on the Saudi Stock Exchange (Tadawul)

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KPMG Al Fozan & Partners

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Subsidiary and associate companies

Name of Subsidiary	Country of operation	Country of establishment
Alistithmar for Financial Securities and Brokerage Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Investment Real Estate Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SAIB Markets Limited Company	Kingdom of Saudi Arabia	Cayman Islands

Name of Associate	Country of operation	Country of establishment
Yanal Finance Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Orix Leasing Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Amlak International for Finance and Real Estate Development Co.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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