Pillar III Disclosures

Al Rajhi Bank

December 31, 2022

Section	#	Tables and templates	Applicable
1. Overview of Risk Management and RWA	OVA	Bank risk management approach	Yes
	OV1	Overview of RWA	
	KM1	Key Metrics	
2. Linkages Between Financial Statements and Regulatory Exposures	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	Yes
	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	
	LIA	Explanations of differences between accounting and regulatory exposure amounts	
3. Composition of Capital And TLAC	CC1	Composition of regulatory capital	Yes
	CC2	Reconciliation of regulatory capital to balance sheet	Yes
	CCA1	Main features of regulatory capital instruments and of other TLAC-eligible instruments	Yes
4. Leverage Ratio	LR1	Summary comparison of accounting assets vs leverage ratio exposure	Yes
	LR2	Leverage ratio common disclosure template	Yes
5. Liquidity	LIQA	Liquidity risk management	Yes
	LIQ1	Liquidity Coverage Ratio	Yes
	LIQ2	Net Stable Funding Ratio	Yes
6. Credit Risk	CRA	General information about credit risk	Yes
	CR1	Credit quality of assets	
	CR2	Changes in stock of defaulted Financing and debt securities	
	CRB	Additional disclosure related to the credit quality of assets	
	CRC	Qualitative disclosure requirements related to credit risk mitigation techniques	
	CR3	Credit risk mitigation techniques – overview	
	CRD	Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk	
	CR4	Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	
	CR5	Standardised approach – exposures by asset classes and risk weights	
	CRE	Qualitative disclosures related to IRB models	No
	CR6	IRB - Credit risk exposures by portfolio and PD range	
	CR7	IRB – Effect on RWA of credit derivatives used as CRM techniques	
	CR8	RWA flow statements of credit risk exposures under IRB	
	CR9	IRB – Back testing of probability of default (PD) per portfolio	
	CR10	IRB (specialised lending and equities under the simple risk weight method)	
7. Counterparty Credit Risk	CCRA	Qualitative disclosure related to counterparty credit risk	No
	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	
	CCR2	Credit valuation adjustment (CVA) capital charge	
	CCR3	Standardised approach of CCR exposures by regulatory portfolio and risk weights	
	CCR4	IRB – CCR exposures by portfolio and PD scale	
	CCR5	Composition of collateral for CCR exposure	
	CCR6	Credit derivatives exposures	
	CCR7	RWA flow statements of CCR exposures under the Internal Model Method (IMM)	
	CCR8	Exposures to central counterparties	
8. Securitisation	SECA	Qualitative disclosure requirements related to securitisation exposures	No
	SEC1	Securitisation exposures in the Banking book	
	SEC2	Securitisation exposures in the trading book	
	SEC3	Securitisation exposures in the Banking book and associated regulatory capital requirements – Bank acting as originator or as sponsor	
	SEC4	Securitisation exposures in the Banking book and associated capital requirements – Bank acting as investor	
9. Market Risk	MRA	Qualitative disclosure requirements related to market risk	Yes
	MRB	Qualitative disclosures for Banks using the Internal Models Approach (IMA)	No
	MR1	Market risk under standardised approach	Yes
	MR2	RWA flow statements of market risk exposures under an IMA	No
	MR3	IMA values for trading portfolios	
	MR4	Comparison of VaR estimates with gains/losses	
10. Operational Risk Qualitative Disclosure		Operational Risk Qualitative disclosure	Yes
11. Profit Rate Risk in the Banking Book		Quantitative /Qualitative disclosure	Yes

1. Overview of Risk Management and RWA

OVA: Bank risk management approach

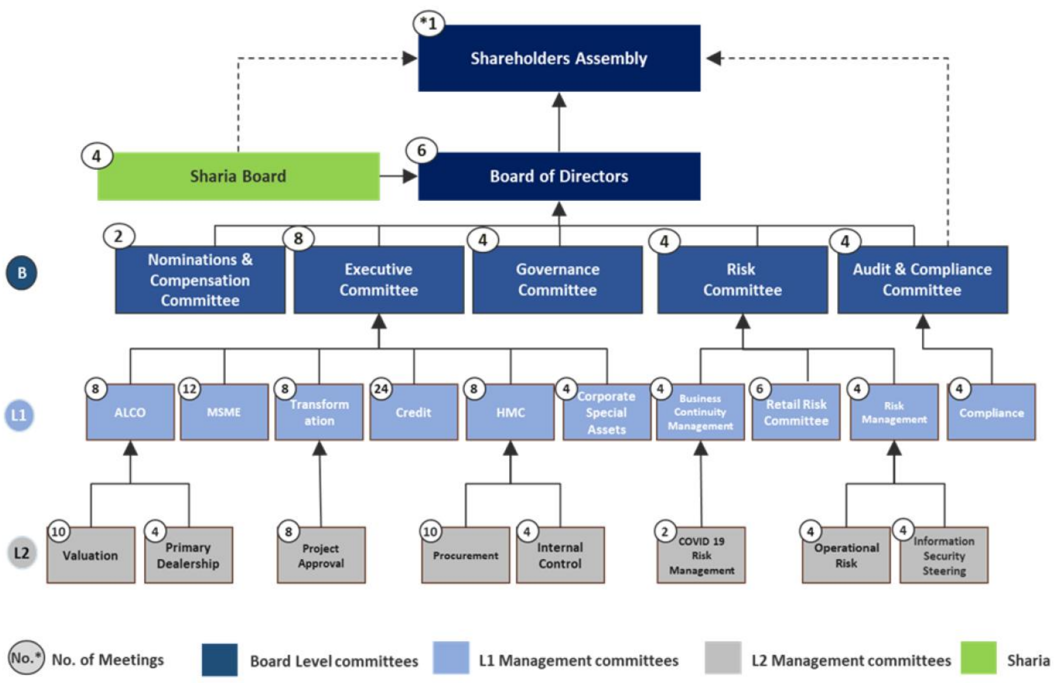
a) Business model determination and risk profile

Deeply rooted in Islamic Banking principles, the Shariah compliant Al Rajhi Bank has nine subsidiary companies and two foreign Branches, which together with the Bank are referred to as the 'Al Rajhi Bank Group' (ARB). The Group continues to be instrumental in bridging the gap between modern financial demands and intrinsic Islamic values, whilst spearheading new product development and numerous industry standards.

b) The Risk Governance structure

Risk Management is a shared responsibility across the Bank. The Credit & Risk Group has primary responsibility for managing the Risk Management Framework across the Bank, and to measure, monitor and report key risks. The Group provides professional advice across all functional areas and is integral to the operations and culture of the Bank.

The Bank adopts sound governance principles for Risk Management. At the Board level, Board Risk Management Committee (BRMC) - chaired by non-executive Board member - has oversight of Risk Management function across the Bank. The Credit & Risk Group, headed by the Group CRO, monitors and reviews risks on a day-to-day basis. The Group CRO has direct access to the BRMC and provides risk viewpoint on relevant matters.



c) Channels to communicate, decline and enforce the risk culture

Maintaining a strong Risk Culture is critical to the strategy and business activities of ARB. The Bank's Risk Culture requires that each business unit and each employee of the Bank is accountable for identifying and managing the risks embedded under their responsibilities. Overall Governance structure is divided into two levels - Management Level Committees and Board Level Committees. The comprehensive Governance structure provides adequate opportunity to communicate the risk culture.

d) The scope and main features of risk measurement systems

The Bank has structured a number of financial products which are in accordance with Sharia law in order to meet the customers demand. These products are all classified as financing assets in the Bank's consolidated statement of financial position. In measuring credit risk of financing at a counterparty level, the Bank considers the overall credit worthiness of the customer based on a proprietary risk methodology. This risk rating methodology utilizes a 10-point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8 – 10). The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

Operational Risk: The Operational Risk management processes in the Bank encompasses Risk Control Self-Assessment, Operational Loss Database and Key Risk Indicators which are designed to function in a mutually reinforcing manner.
Market Risk: Profit Rate Risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established commission rate gap limits for stipulated periods. The Bank monitors positions daily and uses gap management strategies to ensure maintenance of positions within the established gap limits.

e) Process of Risk information reporting provided to the Board and Senior Management

Risk Management Committee (RMC) with membership from Group Heads of all business functions, Risk, Finance, HR, Compliance & Operations chaired by CEO to review and monitor key enterprise risks areas and exceptions on a periodic basis.
At the Board level, Board Risk Management Committee (BRMC) has oversight of Risk Management function across the Bank.

f) Qualitative information on stress testing

The Bank adopts Integrated Stress Testing Approach, in which different types of stressed events are inter-linked and are jointly considered for their impact on the financials and key regulatory ratios. The approach determines the financial impact of both systemic risk and idiosyncratic risk scenarios on Bank's capital adequacy simultaneously across all three stress severity levels – Mild, Moderate and Severe. Besides, the Bank has comprehensive Liquidity Stress Testing in alignment with Internal Liquidity Adequacy Assessment Plan (ILAAP) guidelines issued by SAMA. The Bank has comprehensive and specific Management Action Plans to ensure that capital, leverage ratios are managed well within the Risk Appetite thresholds if the key ratios come under unexpected pressure.

g) The strategies and processes to manage, hedge and mitigate risks

On annual basis, key Risks are identified and plan of actions are listed out to mitigate those risks. The identification of Key Risks and its mitigation plans are discussed in Management Committee meetings and presented to BRMC and to the Board of Directors on an ongoing basis. The mitigation plans are reviewed regularly and the implementation of the action plans are monitored.

OV1: Overview of RWA

	a	b	c
	RWA		Minimum capital requirements
SAR '000s	**Dec-22**	**Sep-22**	**Dec-22**
Credit risk (excluding counterparty credit risk) (CCR)	**452,782,886**	**439,078,300**	**36,222,631**
Of which Standardized Approach (SA)	*452,782,886*	*439,078,300*	*36,222,631*
Of which internal rating-based (IRB) Approach	-	-	-
Counterparty credit risk	**1,264,127**	**1,257,750**	**101,130**
Of which Standardized Approach for counterparty credit risk (SA-CCR)	*1,264,127*	*1,257,750*	*101,130*
Of which Internal Model Method (IMM)	-	-	-
Equity positions in banking book under market-based Approach	-	-	-
Equity investments in funds – look-through Approach	-	-	-
Equity investments in funds – mandate-based Approach	-	-	-
Equity investments in funds – fall-back Approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
Of which IRB ratings-based Approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula Approach (SSFA)	-	-	-
Market risk	**1,643,421**	**1,089,685**	**131,474**
Of which Standardized Approach (SA)	*1,643,421*	*1,089,685*	*131,474*
Of which Internal Model Approaches (IMM)	-	-	-
Operational risk	**42,282,263**	**37,798,847**	**3,382,581**
Of which Basic Indicator Approach	-	-	-
Of which Standardized Approach	*42,282,263*	*37,798,847*	*3,382,581*
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total (1+4+7+8+9+10+11+12+16+19+23+24)	**497,972,697**	**479,224,582**	**39,837,816**

- Credit RWA increased mainly due to an increase in financing and due from banks and other financial institutions.
- Market risk increased due to an increase in net open position in USD currency.
- Operational risk increased due to an increase in gross income.
- The minimum capital requirements applied in column C is 8.00%.

KM1: Key metrics (at consolidated group level): Overview of risk management, key prudential metrics and RWA categories

	SAR '000s	a Dec-22	b Sep-22	c Jun-22	d Mar-22	e Dec-21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	84,432,280	80,892,598	77,234,909	74,237,991	69,646,141
1a	Fully loaded ECL accounting model	82,510,488	78,730,582	74,832,669	71,595,527	66,763,453
2	Tier 1	100,932,280	87,392,598	83,734,909	80,737,991	69,646,141
2a	Fully loaded accounting model Tier 1	99,010,488	85,230,582	81,332,669	78,095,527	66,763,453
3	Total capital	106,607,868	92,896,798	89,118,238	85,814,269	74,463,831
3a	Fully loaded ECL accounting model total capital	104,686,076	90,734,782	86,715,998	83,171,805	71,581,143
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	497,972,697	479,224,582	471,136,703	446,699,856	425,628,790
4a	Total risk-weighted assets (pre-floor)	497,972,697	479,224,582	471,136,703	446,699,856	425,628,790
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.96%	16.88%	16.39%	16.62%	16.36%
5a	Fully loaded ECL accounting model CET1 (%)	16.57%	16.43%	15.88%	16.03%	15.69%
6	Tier 1 ratio (%)	20.27%	18.24%	17.77%	18.07%	16.36%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.88%	17.79%	17.26%	17.48%	15.69%
7	Total capital ratio (%)	21.41%	19.38%	18.92%	19.21%	17.50%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.02%	18.93%	18.41%	18.62%	16.82%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.00%	3.00%	3.00%	3.00%	3.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.96%	5.88%	5.39%	5.62%	5.36%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	792,019,126	760,861,811	727,516,974	673,489,447	637,968,559
14	Basel III leverage ratio (%) (row 2/row 13)	12.74%	11.49%	11.51%	11.99%	10.92%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	12.50%	11.20%	11.18%	11.60%	10.47%
	Liquidity Coverage Ratio					
15	Total HQLA	118,093,251	112,678,870	109,976,494	99,428,326	94,787,976
16	Total net cash outflow	93,896,077	92,975,256	90,881,723	80,084,849	78,358,520
17	LCR ratio (%)	125.77%	121.19%	121.01%	124.15%	120.97%
	Net Stable Funding Ratio					
18	Total available stable funding	547,104,937	534,200,603	510,443,212	474,460,058	457,949,157
19	Total required stable funding	497,594,714	485,727,708	465,260,757	431,286,771	401,940,132
20	NSFR ratio (%)	109.95%	109.98%	109.71%	110.01%	113.93%

- The annual increase in CET1 ratio is driven by the increase in share capital and retained earnings.
- The annual increase in LCR is driven by the increase in HQLA which is partly offset by the increase in total net cash outflows.
- The annual decrease in NSFR is driven by the increase in RSF mainly because of rapid increase in financing which is partly offset by the increase in ASF.

2. Linkages between Financial Statements and Regulatory Exposures

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

SAR '000s	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitization framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and Balances with SAMA & Central Banks	42,052,496	42,052,496	42,052,496	-	-	-	-
Due from banks and other financial institutions, net	25,655,929	25,655,929	25,655,929	-	-	-	-
Investments, net	101,325,425	101,325,425	101,325,425	-	-	-	-
Financing, net	568,338,114	568,338,114	568,338,114	-	-	-	-
Investment in associates	820,717	820,717	820,717	-	-	-	-
Investment properties, net	1,364,858	1,364,858	1,364,858	-	-	-	-
Fixed assets, net	11,338,782	11,338,782	11,338,782	-	-	-	-
Goodwill and other intangibles, net	1,214,547	1,214,547	1,214,547	-	-	-	-
Positive fair value of derivatives	1,703,536	1,703,536	1,703,536	-	-	-	-
Other assets, net	8,551,618	8,551,618	8,551,618	-	-	-	-
Total assets	**762,366,022**	**762,366,022**	**762,366,022**	**-**	**-**	**-**	**-**
Liabilities							
Due to banks and other financial institutions	70,839,117	-	-	-	-	-	-
Customers' deposits	564,924,688	-	-	-	-	-	-
Negative fair value of derivatives	1,677,643	-	-	-	-	-	-
Other liabilities	24,699,539	-	-	-	-	-	-
Total liabilities	**662,140,987**	**-**	**-**	**-**	**-**	**-**	**-**
Shareholder's Equity							
Share capital	40,000,000	-	-	-	-	-	-
Statutory reserve	29,287,706	-	-	-	-	-	-
Other reserves	-427,569	-	-	-	-	-	-
Retained earnings	9,864,898	-	-	-	-	-	-
Proposed dividends	5,000,000	-	-	-	-	-	-
Tier I Sukuk	16,500,000	-	-	-	-	-	-
Total Shareholder's Equity	100,225,035	-	-	-	-	-	-
Total liabilities and equity	**762,366,022**	**-**	**-**	**-**	**-**	**-**	**-**

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

SAR '000s		a	B	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	762,366,022	762,366,022	-	-	-
2	Liabilities + Shares carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	762,366,022	762,366,022	-	-	-
4	Off-balance sheet amounts	39,876,720	39,876,720	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	-	-	-	-	-

LIA: Explanations of differences between accounting and regulatory exposure amounts

a) **Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or additions).

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

Level 3: valuation techniques for which any significant input is not based on observable market data. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

b) **Description of the independent price verification process.**

Most of our investment portfolios are in the form of placements with SAMA and KSA/ Government of Saudi Arabia bonds and Sukuks. The other investments which are non-quoted are insignificant compared to Bank's Total Assets. Hence, there is no formal Independent Price Verification (IPV) function currently in place.

c) Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

All PRS “Profit Rate Swap” deals and structured products are currently treated as ‘Trading’ book.

3. Composition of Capital and TLAC

CC1- Composition of regulatory capital

	SAR '000s	Amounts
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	40,000,000
2	Retained earnings	14,864,898
3	Accumulated other comprehensive income (and other reserves)	28,860,137
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory deductions	83,725,035
	Common Equity Tier 1 capital regulatory adjustments	
7	Goodwill (net of related tax liability)	-248,733
8	Other intangibles other than mortgage servicing rights (net of related tax liability)	-965,814
9	Total regulatory adjustments to Common Equity Tier 1	1,921,792
10	Common Equity Tier 1 capital (CET1)	84,432,280
	Additional Tier 1 capital: instruments	
11	Additional Tier 1 capital before regulatory adjustments	16,500,000
	Additional Tier 1 capital: regulatory adjustments	
12	Additional Tier 1 capital (AT1)	16,500,000
13	Tier 1 capital (T1= CET1 + AT1)	100,932,280
	Tier 2 capital: instruments and provisions	
14	Provisions	5,675,588
15	Tier 2 capital before regulatory adjustments	5,675,588
	Tier 2 capital: regulatory adjustments	
16	Total regulatory capital (TC = T1 + T2)	106,607,868
17	Total risk-weighted assets	497,972,697
	Capital ratios and buffers	
18	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.96%
19	Tier 1 (as a percentage of risk-weighted assets)	20.27%
20	Total capital (as a percentage of risk-weighted assets)	21.41%
21	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	3.00%
22	Of which: capital conservation buffer requirement	2.50%
23	Of which: bank-specific countercyclical buffer requirement	0.00%
24	Of which: G-SIB D-SIB buffer	0.50%
25	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	5.96%

CC2: Reconciliation of regulatory capital to balance sheet

SAR '000s	a Balance sheet as in published financial statements	b Under regulatory scope of consolidation
	Dec-22	
Assets		
Cash and Balances with SAMA & Central Banks	42,052,496	42,052,496
Due from banks and other financial institutions, net	25,655,929	25,655,929
Investments, net	101,325,425	101,325,425
Financing, net	568,338,114	568,338,114
Investment in associates	820,717	820,717
Investment properties, net	1,364,858	1,364,858
Fixed assets, net	11,338,782	11,338,782
Goodwill and other intangibles, net	1,214,547	1,214,547
Positive fair value of derivatives	1,703,536	1,703,536
Other assets, net	8,551,618	8,551,618
Total assets	**762,366,022**	**762,366,022**
Liabilities		
Due to banks and other financial institutions	70,839,117	70,839,117
Customers' deposits	564,924,688	564,924,688
Negative fair value of derivatives	1,677,643	1,677,643
Other liabilities	24,699,539	24,699,539
Total liabilities	**662,140,987**	**662,140,987**
Shareholders' equity		
Share capital	40,000,000	40,000,000
Statutory reserve	29,287,706	29,287,706
Other reserves	-427,569	-427,569
Retained earnings	9,864,898	9,864,898
Proposed dividends	5,000,000	5,000,000
Tier I Sukuk	16,500,000	16,500,000
Total shareholders' equity	**100,225,035**	**100,225,035**

CCA1: Main features of regulatory capital instruments and of other TLAC-eligible instruments

		Quantitative / qualitative information
1	Issuer	Not Applicable
2	Unique identifier (e.g. CUSPIN, ISIN or Bloomberg identifier for private placement)	Not Applicable
3	Governing law(s) of the instrument	Not Applicable
3.a	Means by which enforceability requirement of section 13 of the TLAC term sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	Not Applicable
4	Transitional Basel III rules	Not Applicable
5	Post-transitional Basel III rules	Not Applicable
6	Eligible at solo/group/group and solo	Not Applicable
7	Instrument type	Not Applicable
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting	Not Applicable
9	Par value of instrument	Not Applicable
10	Accounting classification	Not Applicable
11	Original date of issuance	Not Applicable
12	Original date of issuance	Not Applicable
13	Original maturity date	Not Applicable
14	Option call date, contingent call dates and redemption amount	Not Applicable
15	Subsequent call dates if applicable	Not Applicable
16	Fixed or Floating dividend/coupon	Not Applicable
17	Coupon rate and any related index	Not Applicable
18	Existence of a dividend stopper	Not Applicable

CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

		Quantitative / qualitative information
1	Issuer	Al Rajhi Banking and Investment Corporation
2	Unique identifier	SA15GVK0JI30
3	Governing law(s) of the instrument	Laws of Kingdom of Saudi Arabia
4	Transitional Basel III rules	Additional Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Group and Solo
7	Instrument type	Subordinated
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	SAR 6,500 Million
9	Par value of instrument	SAR 1 Million
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	23rd January 2022
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Option call date, contingent call dates and redemption amount	23rd January 2027
16	Subsequent call dates, if applicable	Following the first call date, any profit distribution date thereafter
17	Fixed or Floating dividend/coupon	Fixed to Floating
18	Coupon rate and any related index	3.5% per annum fixed rate payable quarterly from the issue date excluding the reset date. The return rate shall thereafter reset on the reset date.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write down, write-down trigger(s)	Non-Viability Event
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-own, description of writeup mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The financial instrument is junior to senior creditors and Tier 2 capital instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

		Quantitative / qualitative information
1	Issuer	Al Rajhi Banking and Investment Corporation
2	Unique identifier	SA15L00GHCJ9
3	Governing law(s) of the instrument	Laws of Kingdom of Saudi Arabia
4	Transitional Basel III rules	Additional Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Group and Solo
7	Instrument type	Subordinated
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	SAR 10,000 Million
9	Par value of instrument	SAR 1,000
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	16th November 2022
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Option call date, contingent call dates and redemption amount	16th November 2027
16	Subsequent call dates, if applicable	Following the first call date, any profit distribution date thereafter
17	Fixed or Floating dividend/coupon	Fixed to Floating
18	Coupon rate and any related index	5.5% per annum fixed rate payable quarterly from the issue date excluding the reset date. The return rate shall thereafter reset on the reset date.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write down, write-down trigger(s)	Non-Viability Event
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-own, description of writeup mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The financial instrument is junior to senior creditors and Tier 2 capital instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

4. Leverage Ratio

LR1: Summary comparison of accounting assets vs leverage ratio exposure

TABLE 1: LEVERAGE DISCLOSURE		
Summary comparison of accounting assets versus leverage ratio exposure measure		**Table 1**
Row #	**Item**	SAR '000s
1	Total consolidated assets as per published financial statements	762,366,022
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	2,227,778
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	21,460,254
7	Other adjustments	5,965,073
8	**Leverage ratio exposure**	**792,019,126**

LR2: Leverage ratio common disclosure template

TABLE 2: LEVERAGE DISCLOSURE		
#	**Item**	SAR '000s
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	768,331,095
2	(Relevant Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	768,331,095
Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for Potential Financial Exposure (PFE) associated with all derivatives transactions	2,227,778
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	2,227,778
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Credit Conversion Factor (CCR) exposure for Security Financing Transaction (SFT) assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	39,876,720
18	(Adjustments for conversion to credit equivalent amounts)	-18,416,466
19	Off-balance sheet items (sum of lines 17 and 18)	21,460,254
Capital and total exposures		
20	Tier 1 capital	100,932,280
21	Total exposures (sum of lines 3, 11, 16 and 19)	792,019,126
Leverage ratio		
22	**Basel III leverage ratio**	**12.74%**

5. Liquidity

LIQA: Liquidity risk management

a) **Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.**
The liquidity risk management structure at ARB has a top down approach from the Board of Directors (BOD) to Group Treasury. ARBs Board of Directors have the ultimate responsibility for the management of overall liquidity risk function within the Bank. However, the BOD has delegated their authority to Group Asset Liability Management Committee (ALCO) to ensure daily, timely and effective risk management across the ARB Group. ARB Group has adopted a holistic approach towards maintaining a liquidity risk management and control framework. The Bank recognizes that there is no one metric or event that could address all the dimensions or causes of liquidity risk. Hence, Liquidity risk control framework has been established along-with approved liquidity risk appetite parameters within which the Banks's liquidity function operates. The delegation of approval authorities is formalized and governed by a clear mandate set by the ALCO. The Group Treasurer keeps ALCO informed of Liquidity and Funding risk/requirements as and when they arise. The Liquidity Risk tolerances are defined as part of Bank's Liquidity/Treasury Risk Appetite Statement which is again approved by the Board. The key Liquidity risk measures include gaps and ratios viz., LCR, NSFR, LAR and LDR. All these Liquidity measures are reported to ALCO on a monthly basis and to BRMC at frequent intervals. The related Liquidity risk and ALM policies are updated on an annual basis to reflect the changing operating environment and Bank's strategy given each stakeholder's responsibility as per contemporary situations.

b) **Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralized or decentralized.**
The Funding Strategy of the Bank is developed every year at the time of annual Budget exercise and this is undertaken at a centralized level. The Bank's deposit base largely comprises of retail deposits which are highly diversified. Besides, ARB seeks for a constant diversification of its funding sources by continuing to tap the wholesale funding route. The Bank additionally ensures that the Asset-Liability maturity profile is well-managed. The Bank occasionally funds itself through term deposits with long dated maturities. Concentration limits on the lending and borrowing side have been established as part of the Risk appetite and these are monitored and reported on a regular basis to Senior Management and RMC/BRMC. Customer deposit through current and call accounts form the main source to fund the balance sheet, as this consist of several, well diversified segments of Retail, Corporate and SME businesses. Based on various behavioral analysis conducted by both external consultants

and internal teams, majority of the current account deposits are considered to be stable.

c) Liquidity risk mitigation techniques.

Identifying, assessing, measuring and monitoring liquidity risks, conducting regular and 'ad hoc' risk analysis (such as stress tests), reporting the findings and recommending to the ALCO through CRO are the key control and mitigation of liquidity risks techniques. The Bank has also been conducting its annual ILAAP exercise. This provides the Bank with an opportunity to estimate / project its Liquidity Gap positions and ratios over next one-year horizon. This enables the Bank to plan accordingly for any systemic or bank driven internal liquidity stress assessment. Accordingly, corrective action and management action plan is drafted to overcome such stress situations. As part of its ILAAP exercise the Bank has a well drafted CFP in place that can be invoked in stress liquidity situations. The Bank has regularly been testing its CFP to ascertain its feasibility in times when needed.

d) An explanation of how stress testing is used.

The Bank Conducts Liquidity stress testing as part of its ILAAP exercise. The Bank identifies historical and hypothetical events that can lead to an impact on its liquidity positions. The impact of Liquidity events is quantified by defining liquidity risk factors covering Retail funding risk, Wholesale funding risk, deposit concentration risk, deposit pricing risk, marketable assets risk, assets delinquency risk, contingent liability risk and other material risks. Thereafter, severe, moderate and mild liquidity risk scenarios are evaluated over a time horizon of one month. The impact of these scenarios is assessed on gap positions and all regulatory ratios. Accordingly, management action plans are devised to enable the Bank plan for its liquidity actions in such stressed liquidity situations.

e) An outline of the bank's contingency funding plans.

ARB's Group-Contingency Funding Plan ("GCFP" or "CFP") is a written response mechanism to be followed under adverse or stress liquidity scenarios, in order to enable the Bank to efficiently meet all liquidity obligations as they fall due up to a 3 months horizon. This includes components of liquidity management that are pre-emptive in nature, components that address immediate liquidity requirements, components required to restore the liquidity positions and ratios to regulatory or appetite thresholds and finally long-term strategic actions to improve the liquidity profile of the Balance sheet. The contents of the CFP may be tailored to adapt any situation as it unfolds, under the directions of the Liquidity Response Team (LRT). The ARB GCFP is applicable to Al Rajhi Bank KSA and to all its banking branches, subsidiaries and overseas entities.

While the ARB Group Liquidity Risk Management Policy is applicable under all operating environments, the GCFP will be operative only in the event of an adverse or stressed liquidity situation. Each International branch and subsidiary of ARB will also have in place its own CFP, which should be consistent with the Group CFP and should meet their local regulatory requirements. In case of any conflict between the GCFP and local CFPs of the international branches/subsidiaries of ARB, the more conservative document shall prevail.

The GCFP is an integral part of the Bank's overall Group Liquidity Risk Governance framework. Both the GCFP and Group Liquidity Risk Management Policy complement each other.

f) Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

ARB measures and monitors the on and off-balance sheet liquidity positions by using liquidity gaps for different time-buckets, Basel III liquidity ratios, and SAMA regulatory liquidity ratios. The behavioral assumptions for liquidity are reviewed frequently and are approved by ALCO for the purpose of monitoring liquidity gaps.

g) Concentration limits on collateral pools and sources of funding (both products and counterparties.

ARB's Liquidity policy applies to all banking operations of ARB Group including banking subsidiaries and branches (inside & outside KSA). In case of any differences between the Home and Host regulations, the stringent/ conservative regulations will be applied.

The oversight of liquidity risk is maintained by ALCO through liquidity risk reports which are produced and submitted by Market & Liquidity Risk Unit of Overseas Branches and Subsidiaries as part of the ALCO pack. This unit is independent of liquidity management function, which is the responsibility of Treasury/ALM units of ARB-KSA and Overseas Branches and Subsidiaries.

The Bank has a set of approved Liquidity Gap Limits and ratios for the ARB-KSA and Overseas Branches and Subsidiaries. These are closely monitored for breaches, if any. In case of breach of the these limits it should be reported to respective ALCOs/Group ALCO for ratification.

Liquidity risk will be monitored and reported both on a solo and group level. While ARB-KSA and Overseas Branches and Subsidiaries are responsible to ensure timely monitoring and reporting of liquidity risk to their local ALCO.

LIQ1: Liquidity Coverage Ratio (LCR)

- Figures presented in the table are average of Q4 2022.
- Un-weighted values are calculated as outstanding balances maturing or callable within 30 days (for Inflows and outflows).
- Adjusted values are calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e., cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

	SAR '000s	TOTAL UNWEIGHTED VALUE (Average)	TOTAL WEIGHTED VALUE (Average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	-	118,093,251
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customer, of which:**	**184,123,026**	**20,851,408**
3	Stable deposits	-	-
4	Less stable deposits	184,123,026	20,851,408
5	**Unsecured wholesale funding, of which:**	**207,873,248**	**88,474,554**
6	Operational deposits (all counterparties)	-	-
7	Non-Operational deposits (all counterparties)	207,873,248	88,474,554
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	**36,689,936**	**1,967,778**
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	15,186,078	1,537,700
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	21,503,857	430,077
16	**TOTAL CASH OUTFLOWS**		**111,293,740**
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	28,311,534	17,364,976
19	Other cash inflows	32,686	32,686
20	**TOTAL CASH INFLOWS**		**17,397,663**
TOTAL ADJUSTED VALUE			
21	**TOTAL HQLA**		**118,093,251**
22	**TOTAL NET CASH OUTFLOWS**		**93,896,077**
23	**LIQUIDITY COVERAGE RATIO (%)**		**125.77%**

LIQ2: Net Stable Funding Ratio

SAR '000s		a	b	c	d	e
		Unweighted value by residual maturity				
		No Maturity	< 6 Months	6 months to < 1 year	> 1 year	Weighted Value
ASF Item						
1	**Capital:**				**106,607,868**	**106,607,868**
2	*Regulatory capital*				106,607,868	106,607,868
3	*Other capital instruments*				-	-
4	**Retail deposits and deposits from small business customers:**	**249,860,785**	**6,179,352**	**2,379,385**	**1,615,341**	**239,111,456**
5	*Stable deposits*	98,059,608	285,021	26,258	-	93,452,343
6	*Less stable deposits*	151,801,177	5,894,331	2,353,127	1,615,341	145,659,113
7	**Wholesale funding:**	**98,432,842**	**190,116,715**	**29,887,030**	**41,502,229**	**200,720,522**
8	*Operational deposits*					
9	*Other wholesale funding*	98,432,842	190,116,715	29,887,030	41,502,229	200,720,522
10	Liabilities with matching interdependent assets					
11	**Other liabilities:**	**32,415,106**	**3,965,700**	**1,644,451**	**586,475**	**665,091**
12	*NSFR derivative liabilities*					
13	All other liabilities and equity not included in the above categories	32,415,106	3,965,700	1,644,451	586,475	665,091
14	**Total ASF**					**547,104,937**
RSF Item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**-**
16	Performing loans and securities:	-	-	-	-	458,371,465
17	**Unsecured loans to financial institutions**	-	**20,427,187**	**1,377,473**	**-**	**3,752,815**
18	*Securities Eligible as Level 1 HQLA*	-	-	462,406	77,354,413	3,890,841
19	*Deposits held at other financial institutions for operational purposes*	-	4,686,700	-	-	2,343,350
20	*Loans to non-financial corporate clients with a residual maturity of less than one year.*	-	39,259,812	15,464,670	-	27,362,241
21	*Other loans, excluding loans to financial institution, with a residual maturity of one year or greater that would quality for 35% or lower risk weight*	-	-	-	6,147,000	4,013,100
22	*Loans to retail and small business customers with a residual maturity of less than one year*	-	3,509,241	47,297,957	-	25,403,599
23	*performing loans to non-financial institution with risk weights greater than 35%*	-	-	-	436,422,883	370,959,450
24	*Non-HQLA securities not in default*	-	6,966,503	5,478,600	16,968,845	20,646,070
25	*Assets with matching interdependent liabilities*	-	-	-	-	-
26	**Other assets:**	-	-	-	-	**38,462,837**
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	38,462,837	-	-	38,462,837
32	**Off-balance sheet items**		**39,011,437**	-	-	**760,413**
33	**Total RSF**					**497,594,714**
34	**Net Stable Funding Ratio (%)**					**109.95%**

6. Credit Risk

CRA: General qualitative information about credit risk

a) **How the business model translates into the components of the Bank's credit risk profile.**
Credit risk is considered to be the most significant and pervasive risk for the Bank. The Bank takes on exposure to credit risk, which is the risk that the counterparty to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other Banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the Credit & Risk Management Group (CRMG) which sets parameters and thresholds for the Bank's financing activities.

b) **Criteria and approach used for defining credit risk management policy and for setting credit risk limits.**
Approval, disbursements, administration, classification, recoveries and write-offs for Corporate & SME and Retail credits are governed by the Bank's Corporate Credit Policy, SME Credit Policy and Retail Credit Policy respectively. The policy is reviewed by Credit & Risk Group and approved by the BRMC and the Board. The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual customers and groups, and to industries and countries.

c) **Structure and organization of the credit risk management and control function.**
All Corporate, SME and FI credit proposals are independently reviewed by Credit & Risk Group and recommended to appropriate approval authority as defined in the Credit Policies of the Bank, which includes Management level Credit Committee and Executive Committee of the Board. For Retail, the Bank has in place comprehensive product program manuals highlighting requirements of every aspect of retail lending.

d) **Relationships between the credit risk management, risk control, compliance and internal audit functions.**
All Corporate Credit proposals submitted by Corporate Banking Group are independently reviewed by CRMG before the proposals are approved by the appropriated approval authority. Compliance team ensures that SAMA guidelines are complied with. As part of Internal Audit plan, Internal Audit team reviews Credit Approval Process and submits its findings to Board Audit Compliance Committee for its review.

e) **Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.**
Comprehensive Portfolio reports including top 10 watch list exposures, top 10 NPL exposures and top 10 written off exposures for both Corporate and SME portfolios are presented to RMC, BRMC and the Board of Directors on a regular basis. The report highlights the status of the exposure, recoveries, if any, collaterals, provisions held against these accounts and the action plan to regularize/recover the dues from these accounts.

CR1: Credit quality of assets

SAR '000s		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	3,084,717	573,281,055	8,027,658	568,338,114
2	Debt Securities	-	101,368,937	43,512	101,325,425
3	Off-balance sheet exposures	356,506	39,520,214	433,532	39,443,188
4	**Total**	**3,441,223**	**714,169,988**	**8,504,484**	**709,106,727**

Definition of default

- Accounts are considered in default after failure to meet the obligations by 90 days.

CR2: Changes in stock of defaulted Financing and debt securities

SAR '000s		a
1	Defaulted loans and debt securities at end of December 2022	3,010,100
2	Loans and debt securities that have defaulted since the last reporting period	4,835,979
3	Returned to non-defaulted status	278,702
4	Amounts written off	4,482,660
5	Other changes	-
6	**Defaulted loans and debt securities at end of December 2022 (1+2-3-4±5)**	**3,084,717**

CRB: Additional disclosure related to the credit quality of assets

Qualitative disclosures

a) **The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.**
Common definitions are used for both accounting and regulatory purposes. Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. Neither past due nor impaired and past due but not impaired comprise the total performing financing.

b) **The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.**
There are no such exposures. Bank considers the past due exposures for more than 90 days as impaired.

c) **Description of methods used for determining impairments.**
Financing past due for more than 90 days are treated as impaired. The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as releasing collateral (if held).

d) **The Bank's own definition of a restructured exposure.**
A loan in respect of which the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider.

Quantitative disclosures

e) **Breakdown of exposures by geographical areas, industry and residual maturity.**

Geographical Area

KSA constitutes more than 98**%** of the total exposures and the remaining are concentrated in other GCC and Middle East countries, South East Asia.

Financing, net SAR '000s	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**North America**	**South East Asia**	**Other Countries**	**Total**
Corporate Mutajara	115,164,585	1,441,863	-	-	-	**116,606,448**
Installment sale	420,698,623	3,665,800	-	1,257,007	-	**425,621,430**
Murabaha	14,938,663	203,718	-	6,097,173	-	**21,239,554**
Credit cards	4,852,417	18,174	-	91	-	**4,870,682**
Total	**555,645,288**	**5,329,555**	-	**7,354,271**	-	**568,338,114**

Geographical distribution of impaired exposures

Similar to the exposure levels, KSA constitutes more than 97% of the total impaired exposures.

SAR '000s	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
Non-performing				
Mutajara	668,196	5,939	-	**674,135**
Installment sale	2,285,460	45,140	19,867	**2,350,467**
Murabaha	-	-	32,063	**32,063**
Credit cards	28,052	-	-	**28,052**
Total	**2,981,708**	**51,079**	**51,930**	**3,084,717**
Allowance for impairment of financing				
Mutajara	3,178,690	35,697	-	**3,214,387**
Installment sale	4,485,681	67,547	62,867	**4,616,095**
Murabaha	-	-	56,524	**56,524**
Credit cards	140,583	69	-	**140,652**
Total	**7,804,954**	**103,313**	**119,391**	**8,027,658**

Industry

76% of the total exposure is classified under Retail Financing. The Corporate largest sectors are Commercial and Industrial.

Impaired exposures are mainly distributed between Retail Financing and the Corporate exposures from Commercial and Building and Construction segments.

SAR '000s	Performing	Non-Performing	Allowance for impairment	Net financing
Government	23,936,681	-	-	**23,936,681**
Commercial	41,260,020	526,732	299,207	**41,487,545**
Industrial	34,166,854	529,768	509,390	**34,187,232**
Building and construction	6,275,190	5,314	2,918	**6,277,586**
Consumer	432,923,861	1,896,504	1,228,793	**433,591,572**
Services	17,658,812	125,683	70,192	**17,714,303**
Agriculture and fishing	689,565	112	65	**689,612**
Finance, Insurance & Investments	13,257,584	210	115	**13,257,679**
Others	3,112,488	394	228	**3,112,654**
Total	**573,281,055**	**3,084,717**	**2,110,908**	**574,254,864**
12 month and life time ECL not credit impaired	-	-	5,916,750	**5,916,750**
Balance	**573,281,055**	**3,084,717**	**8,027,648**	**568,338,114**

Residual Maturity

More than 60% of the assets are with a maturity of five years or less.

Financing, net SAR '000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Corporate Mutajara	21,475,546	29,189,031	35,819,350	30,122,521	-	**116,606,448**
Installment sale	12,471,245	41,786,521	180,485,205	190,878,459	-	**425,621,430**
Murabaha	3,928,278	4,797,146	6,750,486	5,763,644	-	**21,239,554**
Credit cards	2,160,591	1,153,869	1,533,068	23,154	-	**4,870,682**
Total	**40,035,660**	**76,926,567**	**224,588,109**	**226,787,778**	**-**	**568,338,114**

f) Breakdown of restructured exposures between impaired and not impaired exposures.

Restructured accounts are totaling SAR 3.68BN, which reflect 0.65% of total gross financing.

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable.

b) Core features of policies and processes for collateral evaluation and management.

The Bank in the ordinary course of financing activities holds collateral as security to mitigate credit risk in financing. This collateral mostly includes customer deposits and other cash deposits, financial guarantees, local and international equities, real estate and other property and equipment. The collateral is held mainly against commercial and consumer financing and managed against relevant exposures related to financing. The fair value of collateral is based on valuation performed by the independent experts, quoted prices (wherever available) and the valuation techniques. Experts have used various approaches in determining the fair value of real estate collateral including market comparable approach based on recent actual sales or discounted cash flow approach taking into account risk adjusted discount rates, rental yields and terminal values.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the Board Risk Management Committee.

CR3: Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
	SAR '000s	**Exposures unsecured: carrying amount**	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1	Loans	538,747,417	29,590,697	23,646,775				
2	Debt securities	101,325,425	-	-	-	-	-	-
3	Total	**640,072,842**	**29,590,697**	**23,646,775**	-	-	-	-
4	Of which defaulted	3,084,717	-	-	-	-	-	-

CRD: Qualitative disclosures on Banks' use of external credit ratings under the standardized approach for credit risk

a) **Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the Bank, and the reasons for any changes over the reporting period.**
Moody's, Standard & Poor's, Fitch and Capital Intelligence.

b) **The asset classes for which each ECAI or ECA is used.**
Externally rated Corporate, Banks and Securities Firms.

c) **The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the Bank has to comply).**
The Bank master rating scale is mapped to external rating agency (Standard & Poor's) Investment grades (1-4) are mapped to (AAA to BBB-), Sub-investment grades (5-7) mapped to (BB+ to C) and default grades (8-10).

CR4: Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

SAR '000s		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central Banks	134,951,016	90	134,913,868	0	4,388,868	3%
2	Public sector entities	0	589	0	0	0	0
3	Multilateral development Banks	0	0	0	0	0	0
4	Banks	39,584,394	20,233,224	39,568,671	3,613,088	17,807,200	41%
5	Securities firms	0	0	0	0	0	0
6	Corporates	129,462,168	50,478,322	127,913,222	19,015,783	138,144,322	94%
7	Regulatory retail portfolios	208,323,047	176,531	206,659,080	11,857	155,003,203	75%
8	Secured by residential property	218,343,086	0	216,586,119	0	108,293,059	50%
9	Secured by commercial real estate	2,179,724	0	2,167,824	0	2,167,824	100%
10	Equity	2,705,075	0	2,705,075	0	2,705,075	100%
11	Past-due loans	3,084,717	14,984	1,200,585	0	1,200,585	100%
12	Higher-risk categories	0	0	0	0	0	0
13	Other assets	31,808,775	0	31,577,943	0	24,336,876	77%
14	**Total**	**770,442,002**	**70,903,740**	**763,292,387**	**22,640,728**	**454,047,013**	**58%**

CR5: Standardized approach – exposures by asset classes and risk weights

	SAR '000s	a	b	c	d	e	f	g	h	i	j
	Asset classes/ Risk weight*	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central Banks	130,513,409	-	-	-	404,054	-	3,615,531	380,873	-	**134,913,868**
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development Banks (MDBs)	-	-	-	-	-	-	-	-	-	**-**
4	Banks		-	13,386,444	-	29,330,810	-	765,006			**43,482,259**
5	Securities firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates		-	6,270,013	-	6,089,272	-	129,442,307	-	4,826,914	**146,628,506**
7	Regulatory retail portfolios	-	-	-	-	-	206,670,938	-	-	-	**206,670,938**
8	Secured by residential property	-	-	-	-	216,586,119	-	-	-	-	**216,586,119**
9	Secured by commercial real estate	-	-	-	-	-	-	2,167,824	-	-	**2,167,824**
10	Equity	-	-	-	-	-	-	2,705,075	-	-	**2,705,075**
11	Past-due loans	-	-	-	-	-	-	1,200,585	-	-	**1,200,585**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	6,759,544	-	601,904	-	-	-	24,216,495	-	-	**31,577,943**
14	**Total**	**137,272,953**	**-**	**20,258,360**	**-**	**252,410,254**	**206,670,938**	**164,112,824**	**380,873**	**4,826,914**	**785,933,115**

Not Applicable Reports:

CRE, CR6, CR7, CR8, CR9, CR10

7. Counterparty Credit Risk

Not Applicable Reports:

CCRA, CCR1, CCR2, CCR3, CCR4, CCR5, CCR6, CCR7, CCR8

8. Securitization

Not Applicable Reports:

SECA, SEC1, SEC2, SEC3, SEC4

9. Market Risk

MRA: Qualitative disclosure requirements related to Market Risk

Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):

a) **Strategies and processes of the Bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the Bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.**

   Being an Islamic Bank, ARB does not face any major "Market Risk" except for Profit Rate Risk in Banking Book (PRRBB) under Pillar II. Although, as per the scope of "Market Risk" as defined by BCBS, the Bank is also exposed to Foreign Exchange risk but this is only in a limited way. All Foreign exchange exposures are taken by the Bank for client purposes and therefore there are no trading/proprietary positions. Besides, for these client oriented foreign exchange positions very limited overnight position limits are given which results in insignificant foreign exchange risk for the Bank. The major foreign exchange position for the Bank originates from USD which again is a pegged currency, therefore, the risk is minimal.

   For the measurement of PRRBB risk, Bank has developed a separate model in line with BCBS 368, which was approved by SAMA. The computation of PRRBB is now automated and the resultant PRRBB capital charge is provided accordingly under Pillar 2 Risks. PRRBB arises on account of mismatches in maturity / re-pricing profile of assets and liabilities. It refers to the risk of changes in market value of assets and liabilities in the Banking book due to changes in the profit rate term structure.

b) **Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the Bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.**

   Market Risk function is part of Enterprise Risk Management (ERM) function. ERM reports to Group Chief Risk Officer (CRO). Market Risk function independently reviews the compliance to the approved Treasury Limits and communicates to Senior Management in case of any comments.

c) **Scope and nature of risk reporting and/or measurement systems.**
Comprehensive Market & Liquidity Risks reports are presented to ALCO for its review and discussion. Besides, Market & Liquidity Risk Dashboard highlighting various positions/limits, are presented to RMC/BRMC.

Report MRB is not applicable

MR1: Market risk under standardized approach

SAR '000s		a RWA
	Outright products	**1,643,421**
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,643,421
4	Commodity risk	-
	Options	**-**
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	**Total**	**1,643,421**

- As compared to last year, the decrease in Foreign Exchange Risk is due to decrease in USD position.
- Starting from 2023, the Bank will follow FRTB (as part of Basel lll reforms) for Market Risk capital charge calculation.

Not Applicable Reports: MR2, MR3, MR4

10. Operational Risk Qualitative Disclosure

Operational risk

Qualitative Disclosures

a) **In addition to the general qualitative disclosure requirement (paragraph 824), the approach(es) for operational risk capital assessment for which the Bank qualifies.**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. The Operational Risk Framework sets the policies to identify, assess, measure, monitor, manage (mitigate, transfer, accept etc.) and report Operational Risk. The Bank's directors, management and all staff members are accountable for managing Operational risk in line with the roles and responsibilities. The overall effectiveness of the sound operational risk governance relies upon the following three lines of defense model: 1st line - Business Line Management; 2nd line - An Independent Operational Risk Management function; 3rd line - An independent review function i.e. Internal Audit.

The Operational Risk Management Framework encompasses, Risk & Control Self-Assessment, Key Risk Indicators, Incident reports, Operational Risk loss data, Information Technology Risk and Business Continuity & Disaster Recovery Plan. The Group Operational Risk Committee oversees the implementation of the Operational Risk Framework and reports to the Risk Management Committee.

The Operational Risk Management Department (ORMD) within the Credit & Risk Management Group facilitates the management of operational risk in the Bank. ORMD promotes a responsible culture of transparency, vigilance, openness, awareness, and of being proactive across the Bank. They enforce responsibility and accountability for the management of Operational Risk across the Bank. They are responsible for developing processes, tools and methodologies, overseeing their implementation and use within the business units and providing on-going monitoring and guidance across the Bank.

b) **Description of the advanced measurement approaches for operational risk (AMA), if used by the Bank, including a discussion of relevant internal and external factors considered in the Bank's measurement approach. In the case of partial use, the scope and coverage of the different approaches used.**

Not Applicable. The Bank adopts Standardized Approach for computing Operational Risk Capital Charge.

c) **For Banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk.**

Not Applicable. The Bank adopts Standardized Approach for computing Operational Risk Capital Charge.

11. Profit Rate Risk in the Banking Book

Profit rate risk in the Banking book (PRRBB)

Table A

Qualitative disclosures

a) A description of the Bank defines IRRBB for purposes of risk control and measurement.

Profit Rate Risk in Banking Book (PRRBB) is defined as the process of managing risks that arises due to mismatches (of cash-flow/ re-pricing) between the assets and liabilities positions of the Bank. It is a process of strategic planning which assists the Bank to mitigate or hedge, it's on and off-balance sheet risks while focusing on return optimization.

The Bank currently focuses on monitoring earning variability for PRRBB management in line with the established Risk Appetite. The bank has also instituted Economic Value of Equity (EVE) and Net Interest Income (NII) related measures for PRRBB management as required by BCBS 368 guidelines, along with associated Board approved limits for active monitoring of the PRRBB.

As part of PRRBB enhancements, data quality changes were undertaken to ensure appropriate reflection of customer segments, maturities and benchmark fixes for the asset book.

b) A description of the Bank's overall IRRBB management and mitigation strategies.

There is monthly monitoring of EVE and NII through ALCO in relation with established limits: As mentioned above in the response of point (a).

Hedging practices: Currently the Bank does not have specific products to hedge the Interest rate risk on its Banking Book. Wherever possible conscious attempts are being made to create natural hedge by matching the maturities/re-pricing of rate sensitive assets and liabilities. However, the Bank is working on products to hedge its profit rate risk.

Conduct of Stress Testing: The Bank currently conducts stress tests for Net Interest Income (NII) variation, by assessing the impact of interest rate shifts on Bank's earnings. In addition, EVE Stress Tests as required by the BCBS 368 guidelines are also conducted for the six shock scenarios.

Outcomes analysis: NII related stress tests based on the Bank's current gap profile is utilized to assess impact on Net Income up to 1 year. It helps us to measure variations in NII if it remains within the stipulated approved Risk Appetite. In addition, the Bank has a similar process to ensure that the outcome of EVE related stress tests remains within the targeted Risk Appetite threshold through active Balance Sheet management. These EVE/NII thresholds are revised as part of yearly Risk Appetite review process given the forward-looking business strategy of the Bank.

The role of Independent Audit: Internal Auditors play a key role in evaluating the effectiveness of Group Profit Rate Risk Management. Their role extends to evaluation of the reliability of reporting ensuring effectiveness and efficiency of operations, and ensuring that laws and regulations are complied with

The role and practices of ALCO: The Bank's Asset and Liability Committee (ALCO):

- Ensures that policy guidelines pertaining to PRRBB and; related decisions of the Board and ALCO are enforced within the Bank.
- Regularly review the market activities and ensure that effective decisions are taken and implemented in a timely way
- Ensures that adequate stress Testing is undertaken with respect to PRRBB and that a set of key management actions that would be progressively taken in advance of such event and/or during any deterioration in economic environment on a timely basis.

The Bank's practices to ensure appropriate model validation: The Bank had formulated the PRRBB models as per the Basel and SAMA guidelines. The NMD model was developed internally and was subsequently subjected to validation by an independent consultant whose review feedback was taken in to consideration and will also be considered for any major model improvements going forward, if any.

Timely updates in response to changing market conditions: The Bank's Treasury actively monitors variations in market conditions, which may require balance sheet rebalancing. Risk Group at the Bank also supports Treasury to perform the task effectively. Additionally, ALCO being responsible for periodic monitoring of PRRBB profile of the Bank, takes requisite key management actions to implement corrective measures (if any) to ensure that the market dynamics do not cause breach of Board approved risk thresholds which are in place at the Bank.

c) **The periodicity of the calculation of the Bank's IRRBB measures and a description of the specific measures that the Bank uses to gauge its sensitivity to IRRBB.**

The Bank undertakes its PRRBB measurement on a monthly basis through measurement of specific parameters like EVE and NII sensitivity analysis. With the improvement in banking systems, now we intend to monitor this on a more frequent basis.

d) **A description of the interest rate shock and stress scenarios that the Bank uses to estimate changes in the economic value and in earnings.**

The Bank uses regulatory shock scenarios as prescribed in BCBS 368 guidelines for ΔEVE (six regulatory shock scenarios) and ΔNII (two regulatory shock scenarios) computation.

e) **Where significant modeling assumptions used in the Bank's IMS (i.e. the EVE metric generated by the Bank for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the**

modeling assumptions prescribed for the disclosure in Table B, the Bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis).

The Bank prepares PRRBB IMS for Internal Capital Adequacy Assessment Process (ICAAP). the Bank has aligned the ICAAP and PRRBB computation as per BCBS 368 guidance.

• Assumptions considered for computation of ΔEVE and ΔNII provided in Table B.

• Current portfolio distribution (amount wise) considered to arrive at the Weighted Average Lending Rate (WALR).

• Conditional Prepayment Rate (CPR) has been computed both for Retail and Corporate portfolio at the product level. Retail CPR has been applied for a product across time maturity buckets. CPR models for different Retail products (Personal Financing, Auto Financing and Real Estate Financing) are developed based on historical data. The Bank endeavors to enrich the available data to generate long term history of data for improved Conditional Prepayment Rate (CPR) numbers as we move forward.

• Credit/ Charge card are exempted from the prepayment behavioral modeling because:

–Profit rate charged for the product is higher compared to other relevant alternatives. Accordingly, there will be no/ miniscule impact of market interest rate movements for credit/ charge cards; and

– Overall duration for the settlement for the product is around 1-2 months with no contractual cash flow schedule for which no prepayment assessment can be made.

• Cash flow shifting to earlier time maturity buckets has been considered after application of CPR to the Retail products. Interest component for the last time maturity bucket (after shifting of cash flows) has been considered proportionally based on the outstanding notional in second last time maturity bucket and scheduled principal of last time maturity bucket.

• Term deposits out of the total deposits is only miniscule portion and also as per the past experience, the Bank does not have early redemption risk behavior for Term Deposits; Therefore, TDRR is considered at 0%.

f) **A high-level description of how the Bank hedges its IRRBB, as well as the associated accounting treatment.**

Same as mentioned above in point (b).

g) **A high-level description of key modeling and parametric assumptions used in calculating Δ EVE and Δ NII in Table B, which includes:**

For EVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used:

• The Bank has used the current indicative lending rate for products in scope for the discounting purpose which comprises of commercial margin and other risk spreads as specified in BCBS 368 guidelines. The Bank Computes Weighted Average Lending Rate (WALR) for the entire portfolio based on the amount wise distribution and average/ median/ mode indicative lending rates for each tenor for respective portfolio under PRRBB purview (e.g. Corporate, Treasury, SME and Retail). Discounting factor is computed according to regulatory formula based on computed WALR for the entire portfolio.

How the average re-pricing maturity of non-maturity deposits in (1) has been determined (including any unique product characteristics that affect assessment of re-pricing behavior):
• The NMDs have been split into Retail and Wholesale deposits. The non-core portion of the Retail NMDs have been taken around 10% in overnight bucket. Correspondingly the remaining 90% has been considered as core which has been distributed on a time weighted manner till the average maturity of 5 years. For the Wholesale deposits, the non-core portion of the NMDs have been taken at 50% in overnight bucket. Correspondingly the remaining 50% has been considered as core which has been distributed on a time weighted manner till the average maturity of 4 years. Thereafter, the average re-pricing has been computed on a weighted exposure basis.

The methodology used to estimate the prepayment rates of customer Financing, and/or the early withdrawal rates for time deposits, and other significant assumptions.

h) Interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBS since previous disclosures.

As compared to last year EVE increased because of exponential increase in long dated assets (i.e. Retail and Investment businesses) which are mostly having fixed rate repayment.
Currently, the Bank does not deal in the products with optionality that makes the timing of notional re-pricing cash flows uncertain/ non-linear in nature. Hence, no product in the existing portfolio has been mapped to Less Amenable category and consequently, no Add-on factor computation is made for ΔEVE and ΔNII. The Bank will compute Add-on factor for Less Amenable category when it will start dealing in such products.

Quantitative disclosures

i) Average re-pricing maturity assigned to NMDs

Currently, the Bank has developed a behavioral model for Non-Maturing Deposit (NMD) to identify Core, Non-Core, Stable and Non-Stable amount of deposits. The Bank has followed regulatory limits (in terms of cap for core deposits and cap for average maturity) for reporting of PRRBB. As per regulatory definition, all the NMDs at the Bank can be classified under Transactional category as specifically, following approach has been considered for NMDs cash flow slotting:

- Retail Portfolio – Core deposits are at 90% of total retail NMDs with average maturity capped at 5 years i.e. 10% non-core NMDs have been slotted in overnight time maturity bucket.

- Wholesale Portfolio – Core deposits are at 50% of total Wholesale NMDs with average maturity capped at 4 years i.e. 50% non-core NMDs have been slotted in overnight time maturity bucket.
- Time weighted average maturity is used for cash flow slotting for Core NMDs up to mentioned longest re-pricing maturity.

Average re-pricing maturity	
Wholesale portfolio	3.86
Retail portfolio	4.92

j) Longest re-pricing maturity assigned to NMDs

As mentioned above i.e. 10 years for Retail NMDs and 8 years for Wholesale NMDs.

Table B

SAR '000s	EVE		NII	
Period	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Parallel up	14,377,352	9,661,334	-2,082,349	-867,215
Parallel down	-12,820,813	-9,836,610	2,082,349	867,215
Steepener	4,575,842	3,280,499	-	-
Flattener	-305,653	-612,059	-	-
Short rate up	5,699,902	2,465,960	-	-
Short rate down	-5,757,076	-3,191,687	-	-
Maximum	**14,377,352**	**9,661,334**	**2,082,349**	**867,215**

Period	Dec-22	Dec-21
Tier 1 Capital	100,932,280	69,646,141